Austria Sch 22	Indonesia Rp 3100	Portugal Esc 100
Bahrain Din 0.650	Israel NIS 3.50	S. Arabia Rls 6.00
Belgium BFr 45	Italy L 1600	Singapore S$ 4.10
Canada C$1.00	Japan Y600	Spain Pta 125
Cyprus C£0.75	Jordan Fils 500	Sri Lanka Rup 30
Denmark DKr 9.00	Kuwait Fils 500	Sweden SKr 8.00
Egypt E£2.25	Lebanon £L 50.00	Switzerland SFr 2.20
Finland FMk 7.00	Luxembourg LFr 45	Taiwan NT$ 65
France Fr 6.50	Malaysia Rm 4.25	Thailand Bht 50
Germany DM 2.20	Mexico Pes 300	Tunisia Din 0.800
Greece Dr 150	Morocco Dh 6.00	Turkey L 1500
Hong Kong HK$ 12	Netherlands Fl 3.00	U.A.E. Dh 6.50
India Rup 15	Norway NKr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,263 — Friday June 19 1987 — D 8523 A

Sharjah: federal uncertainty underlined, Page 6

World news | Business summary

Gandhi's party crushed in state poll

Mr Rajiv Gandhi, India's Prime Minister, faced the biggest personal setback of his political career after his Congress (I) Party suffered a crushing defeat in a regional assembly election in the state of Haryana.

The size of the defeat was likely to lead to questions about Mr Gandhi's party leadership: he has lost every significant regional election since his general election victory in 1984. Page 24

US criticised

UK Defence Minister George Younger criticised the US for unfairly protecting its defence industry and said this could lead to British companies demanding counter-measures. Page 24

Gulf battles

Iraq said thousands of Iranian troops were killed or wounded when it repulsed a three-pronged offensive in the south of the war front. Iran said its forces, together with anti-Baghdad Kurds, captured several strategic heights inside northern Iraq.

Beirut kidnappings

Gunmen seized US journalist Charles Glass and Ali Osseiran, son of Lebanon's Defence Minister, in a car south of Beirut.

Philippines violence

Communist assassins shot dead an army major in Quezon province, Philippines, and officials in Manila said they were forming unarmed vigilante teams to stop rebel violence in the capital.

Vietnamese leaders

Vietnam's Parliament named Pham Hung, 74, an ailing former Viet Cong guerrilla leader, as Prime Minister, and Vo Chi Cong, also 74, as President. Page 6

UK expels Iranians

Britain ordered the expulsion of 15 Iranian diplomats and said it was reducing its own diplomatic presence in Tehran to a single representative, in the latest of a series of tit-for-tat expulsions. Page 11

Pakistani protests

Pakistani opposition parties announced a "black day" of protests next month on the 10th anniversary of the military coup that brought President Zia to power.

Le Matin reprieved

French newspaper *Le Matin*, due to go into liquidation, won a five-day reprieve from a Paris court when a group of its journalists said financial backing had been found.

Belgian strike

Public employees' trade unions – protesting against government austerity measures – called a one-day strike in Belgium for today that was expected to hit schools, hospitals and rail and postal sevices.

Extradition move

Hong Kong sent an anti-corruption team to the US to speed up the extradition of a former Lloyds Bank officer facing trial on fraud charges.

Anti-AIDS success

Medical researchers in Belgium and Japan said they had discovered two compounds that could help in the fight against AIDS.

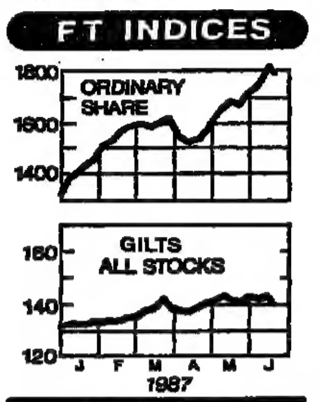
Fishermen caught

Dutch officials pounced on nine fishermen, seizing five tonnes of cod as part of a clampdown on illegal fishing. The Dutch quota of 13,400 tonnes of cod, part of the EC fish stock conservation programme, was filled last month.

Partial bid for Kwik Save from H. Kong

DAIRY FARM, Hong Kong food retailing, manufacturing and wholesaling group, announced a £147m ($241m) tender offer for about 22 per cent of Kwik Save, Welsh discount food retailer. Details and background, Page 25

FT INDICES



LONDON: The reluctance of foreign investors to return to the equity market finally undermined prices and the FT-SE 100 index closed 27.2 lower at 2,293.20 while the FT Ordinary was down 18.6 at 1,783.1. Gilts fell sharply. Details, Page 44

TOKYO: Late buying of retail and chemical issues led share prices back from steep early losses but the Nikkei average still closed 178.87 lower at 25,750.55. Page 48

WALL STREET: The Dow Jones industrial average closed up 0.78 at 2,408.13. Page 48

GOLD fell in London to $451.25 from $452.25. In Zurich it rose to $451.95 from $451.28. Page 36

DOLLAR closed in New York at DM 1.8255; SFr 1.5160; FFr 6.0925 and Y144.60. It fell in London to DM 1.8240 (DM 1.8265); FFr 6.0900 (FFr 6.0950); SFr 1.5155 (SFr 1.5180), and Y144.60 (Y144.85). On Bank of England figures, the dollar's exchange rate index finished at 102.0 from 101.9. Page 37

STERLING closed in New York at $1.6295. It fell in London to $1.6295 ($1.6335); DM 2.9725 (DM 2.9825); FFr 9.9225 (FFr 9.9550); SFr 2.4700 (SFr 2.4800); and Y235.75 (Y236.25). The pound's exchange rate index fell 0.3 to 72.7. Page 37

SALOMON BROTHERS, Wall Street's largest securities firm, declined to comment on reports that it had suffered trading losses of up to $100m in the US bond market rout of April and May. Page 25

NEW ZEALAND's Labour Government is to sell off parts of leading state-owned enterprises to help pay off the country's huge overseas debt. Page 6

BRAZIL is to launch a new industrial policy aimed at attracting foreign investment and joint ventures. Page 8

ONTARIO gave final approval for domestic banks and financial institutions to acquire 100 per cent of a securities dealer from June 30, with a 50 per cent limit for foreign buyers. Page 29

SULPETRO, an indebted western Canadian oil and gas producer, has its affairs taken over by a Calgary accounting firm after the company failed to meet debt restructuring conditions set by the Royal Bank of Canada. Page 26

JAMES HARDIE Industries, the Australian building products group, boosted annual net profits by 28 per cent to A$60.6m (US$43.5m) following restructuring. Page 28

BRITISH TELECOM, UK telecommunications group, has withheld payments to workers under its employee profit-sharing scheme because of industrial action taken earlier this year by engineers and clerical staff. Page 12; Results, Page 30; Lex, Page 24

GILLETTE stock soared on news that Robert Perelman, agressive US corporate raider, was renewing his advances to the razor and consumer products group with a proposal to buy the company for more than $4.6bn. Page 25

South Korean violence spreads as divisions deepen

BY MAGGIE FORD IN SEOUL

WIDESPREAD public protests against South Korean President Chun Doo Hwan spread from middle-class people and students to workers and shopkeepers yesterday as Mr Roh Tae Woo, leader of the ruling Democratic Justice Party, tried to persuade Mr Chun to respond to the people's demands.

President Chun has remained silent since June 10, the day the ruling party elected Mr Roh, another former general, as the party's presidential candidate and, effectively, his successor when the current president steps down next February. Under the present constitution, any opposition candidate has no chance of winning.

Violence erupted all over the country as thousands of people in the streets joined students in chants of "Down with the dictator" and "Restore democratic debate." Police attempting to control the demonstrations were overwhelmed in many cities, as people attempted marches and sit-ins in the road.

A US House of Representatives sub-committee yesterday urged South Korea to take specific steps towards democracy, including lifting censorship and releasing political prisoners. The sub-committee on Asian and Pacific affairs passed a non-binding resolution regretting that President Chun Doo Hwan had suspended talks with opposition leaders on reform until after the 1988 Seoul Olympic Games. It urged both sides to end the violence and to enter into a "good-faith dialogue" on the country's political future. The resolution will be sent to the full house for a vote.

Black smoke swirled over Seoul as people set on fire police equipment, including a bus and a motorcycle. Thousands of shoppers and traders in the city's main market area, along with office workers standing on rooftops and flyovers, chanted along with the students. Bus passengers, marooned in the traffic jams caused by the demonstrations, joined in.

A crowd of at least 5,000 people marched from the city's main Catholic cathedral – where a student occupation ended peacefully on Monday – to the city centre and sat down in the main road. Heavily outnumbered, police could do nothing until reinforcements arrived with more tear gas. There were no immediate reports of serious injuries.

In Pusan, the heart of South Korea's industrial development, at least 10,000 students battled police in front of the Catholic church centre. Clashes were also reported in four other major cities.

Earlier, as fears grew that the level of protest would provoke the military to intervene, President Chun Doo Hwan said he had received Mr Roh Tae Woo, who presented a package of measures to try to answer the people's demands.

A party spokesman said he asked the President to allow a resumption of debate about democracy with the opposition party, the release of all the political leaders and others arrested since the protest started nine days ago, and a reconsideration of the status of Mr Kim dae Jung, co-leader of the main opposition Reunification Democratic Party.

Mr Kim, who is banned from politics under the terms of a prison sen-

Continued on Page 24

President Chun Doo Hwan

OECD warns of risks to world economy

By Philip Stephens in Paris

THE ORGANISATION for Economic Co-operation and Development yesterday delivered a stern warning of the risks facing the world economy following the recent slowdown in the pace of growth in the largest industrial nations.

It coupled its latest forecast of "unsatisfactory growth" this year and next with a plea to governments to reinforce international co-operation aimed at promoting faster expansion and at reducing international trade imbalances.

The organisation's latest half-yearly Economic Outlook, echoing a report earlier this week from the Bank for International Settlements, says that such strength and co-operation is needed to prevent a renewed slide in the value of the dollar.

A further dollar fall would result in renewed inflationary pressure in the US followed by higher interest rates and yet slower growth both there and in Japan and West Germany.

The outlook welcomes the recent commitments by the US, Japan and West Germany to direct policies towards reducing their respective trade deficits and surpluses. It adds, however, that speedy implementation of those policies is essential to underpin exchange rate stability and to generate a revival of business confidence.

Introducing the report yesterday, Mr David Henderson, head of the OECD's economics and statistics department, emphasised the damaging impact on business confidence of the turbulence on foreign exchange markets earlier this year.

He added that governments could not rely indefinitely on intervention in the markets to sustain the more recent stability of major currencies.

The economic outlook voices some scepticism as to what extent the largest nations will in fact meet their policy commitments. While stressing the vital importance of further substantial reductions in the US budget deficit, it forecasts that the shortfall will probably turn out at around $190bn in both this financial year and next.

For West Germany it predicts economic growth of only 1.5 per cent in 1987, rising to just 2 per cent in 1988, while for Japan the forecast is for an increase in output of 2 per cent in each year.

Mr Henderson said that the projections had not yet taken account of the Y6,000bn ($44bn) package of expansionary measures announced by the Tokyo Government last month.

Continued on Page 24

Details, Page 5

Thomson of France acquires Britain's biggest TV maker

BY PAUL BETTS IN PARIS AND DAVID THOMAS IN LONDON

THOMSON, the French nationalised electronics and defence group, yesterday consolidated its position as Europe's second biggest consumer electronics company, with the acquisition of Ferguson, Britain's largest television set manufacturer.

Ferguson, which had sales of £300m ($489m) in the year to the end of March, is the brand leader in the UK with a market share of more than 10 per cent. Last year, it made 680,000 sets and is now producing at the rate of over 1m a year.

Thorn EMI, Ferguson's parent company agreed to sell the subsidiary for £90m, leaving Fidelity as the only remaining British manufacturer of television sets.

Mr Colin Southgate, Thorn managing director, said Ferguson had been sold because the company could not be internationally competitive without much larger sales. With annual production of about 3.5m colour television sets, Thomson will now be about sixth in the world league.

The acquisition will confirm Thomson's position as the second biggest consumer electronics group in Europe after Philips of the Netherlands.

Mr Pierre Garcin, who recently became chief executive of Thomson's consumer electronics division, said: "From the beginning we have been persuaded that there was room for two big consumer electronics groups in Europe."

Thomson, which last year generated sales of FFr 20.5bn ($3.5bn) from consumer electronics, has so far sold almost no televisions in the UK, where about 4m colour televisions were sold last year.

It may now start selling other consumer electronics products in the UK under the Ferguson name and is also likely to increase its sales of television tubes through the Ferguson link.

Mr Garcin said it was too early to comment on Thomson's plans to restructure Ferguson. However, it is expected to integrate Ferguson quickly into its other operations, as it has done in the past with other major acquisitions.

Ferguson employs 4,300 people mainly at its plants in Enfield, North London, and Gosport, Hampshire, which have been modernised and reorganised at a cost of about £30m by Thorn during the past two years.

Thorn said that the £90m sale price represented a premium over the book value of Ferguson, which made a small loss in the year to the end of March 1987.

Thorn is also likely to sell its one-third share in its J2T video recorder joint venture with Thomson and JVC of Japan. The venture is making 550,000-600,000 video recorders a year in plants in the UK, France and West Germany.

Thomson is discussing with JVC the arrangement whereby Ferguson has been making JVC televisions for sale in the UK and in Continental Europe.

Thorn has sold a number of businesses in the past 18 months, including most of its domestic appliance operations, but Mr Southgate said its major disposals were now over.

He added that Thorn would now concentrate on expanding its core businesses, which include retail and rental, music, lighting, electronics and Kenwood mixers by both organic growth and acquisitions.

Mr Garcin said Thomson intended to finance £50m of the purchase through its own resources, with the rest coming from loans from UK banks.

The recovery of Thomson's consumer products business follows intense restructuring during the past four years. It has reinforced itself in consumer electronics by acquisitions including that of Telefunken in 1983, while also shedding operations like car radios and electric heaters.

It has sharply reduced its consumer products workforce from 38,000 at the end of 1984 to 29,000 planned by the end of this year, while at the same time transferring some production to the Far East.

The acquisition of Ferguson will reinforce Thomson's international orientation. Before the Thorn deal, Thomson relied for 64 per cent of its consumer electronics sales on markets outside France.

A deal against the odds, Page 22

Banks respond strongly over Argentina loan

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

ARGENTINA'S international bank creditors have responded strongly to the country's request for a $1.95bn new loan, regarded as a key test of banks' future approach to developing country debt problems.

Commitments to the loan had reached 91 per cent of the total by a Wednesday night deadline, according to a joint statement yesterday by the Argentine Treasury and Citibank, the US bank which heads the country's advisory committee.

They said this figure was close to the so-called "critical mass" which would allow the International Monetary Fund to give the formal go-ahead for its own $1.35bn stand-by credit agreement. That would also trigger $2bn of loans from the World Bank.

Mr William Rhodes, the Citibank executive who chairs the advisory committee, said he was encouraged by the response and that commitments were still arriving at Citibank's offices in New York.

The Argentine loan, to be accompanied by a rescheduling of $30bn of debt to banks, is the first attempt at the so-called "menu" of alternative financing options, endorsed at the Venice summit last week. This is designed to provide more flexible financing and overcome banks' growing reluctance to lend to troubled debtor countries.

It is also the first such loan to be sought since banks, led by Citibank last month, made large loss provisions for Third World loans – a move forecast by many to reduce still further their willingness to make new loans.

The high level of quick commitments partly reflects a desire by large banks to back up their statements that, despite the loss provisions, they want to remain constructive in providing finance to problem debtors.

More immediately, however, they were attracted by an innovative incentive fee of ⅜ of a percentage point which they will earn as the prize for committing themselves by June 17. Banks responding between then and July 17 will earn a ⅛ fee.

Of Argentina's 360 bank creditors, some 120 make up 93 per cent of the country's debt to banks. Commitments received so far therefore essentially reflect undertakings from this group and include promises from Japanese and UK banks.

Efforts will now be made to coax answers from the remainder, which have the option to take so-called "exit bonds," another innovative feature of the package. Banks receiving such bonds would no longer be subject to requests to take part in further loans and reschedulings.

Another sign of progress came with the formal signing of a $10.6bn rescheduling agreement for Chile. All the country's 400 creditor banks had agreed to take part before Wednesday's signing – the first time full participation in such a package has been assured beforehand.

Brazil seeks foreign investment, Page 8

EC farm price talks collapse as West Germany threatens veto

BY QUENTIN PEEL AND TIM DICKSON IN BRUSSELS

THE ANNUAL European Community farm price negotiations collapsed at dawn yesterday with West Germany serving notice of its intention to veto two vital parts of the package.

The failure to reach agreement means that the EC summit, less than two weeks away, could get bogged down in bitter recriminations and budget deadlock, while farmers and commodity traders enter the new harvest season with no guarantee of their future prices.

However, top-level officials in the European Commission yesterday hastened to deny that Mr Jacques Delors, the president, and his colleagues were threatening to resign en masse over the failure to make any progress in resolving the Community's underlying cash crisis.

"Resignation may have been mentioned in the Commission, but it has never been seriously discussed," according to a leading Commission adviser.

The Belgian Government was involved in urgent discussions yesterday on how to break out of the impasse. The failure of the farm price talks is inextricably linked to a major overrun of the 1987 budget, and in turn to the general exhaustion of EC finances.

Mr Wilfried Martens, the Prime Minister, and Mr Leo Tindemans, the Foreign Minister, are trying to find some way of preventing the Brussels summit on June 29 and 30 ending in fiasco, with the 12 heads of government, plus President François Mitterrand of France, failing to cope with a mass of deadlocked detail.

The Agriculture Ministers' Council ended in failure at 6am yesterday in spite of the most serious attempt so far to resolve three key issues: a major overhaul of the cereals policy; the long-term dismantling of the agri-monetary system which links farm prices to the strongest currency, the D-Mark; and the imposition of a tax on vegetable and marine oils and fats.

Mr Ignaz Kiechle, the West German Farm Minister, threatened to use his tacit right of veto on both cereals price cuts and on agri-monetary reforms, describing both as "essential" national interests, although both plans enjoy a clear majority in the Council.

The oils and fats tax proposal, which has aroused furious opposition from major external suppliers including the US and many Asian and African producers, remains blocked by a substantial minority, including the UK, West Germany and the Netherlands.

This was despite a last-ditch compromise by the Commission limiting the measure to two years and promising compensation to third-country suppliers if it proved prejudicial to their oil exports.

The main interest in Brussels yesterday centred on what action the Commission would take if, as seems likely, there is no agreement ahead of the new cereals marketing year on July 1.

Commodities, Page 36

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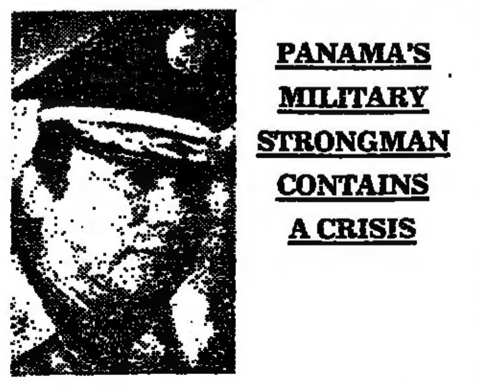
PANAMA'S MILITARY STRONGMAN CONTAINS A CRISIS



Gen Manuel Antonio Noriega: rode the storm but widespread discontent remains, Page 24

Paul Betts reports on the innovative Futuroscope theme park

Bringing Poitiers into the future

AT first sight it looks like the set of a science fiction film being erected rather incongruously in the flat monotonous countryside around the city of Poitiers.

It is nowhere near the scale of the Eurodisneyland project being built outside Paris, or the countless other entertainment theme parks mushrooming throughout France, but the Futuroscope project is nonetheless unique in combining some of the familiar characteristics of theme parks with a new concept in education and *high technology industrial* activity.

The park dreamed up by Mr René Monory, the French Education Minister, opened this month. It has some striking architectural characteristics, including a glass building in the shape of a crystal rock housing one of the world's largest cinema screens. Another building with the huge globe symbol of the futuristic park houses exhibits on the theme of modern communications and high technology. There is an area for small children and an artificial lake still under construction which will lead to a *series fo pavilions each with a* theme illustrating life in the future.

In the autumn a *highly* specialised school called *le lycée pilots innovant* will open, where students will study for a technology *baccalauréat* and other technological disciplines.

But Futurescope intends to be more than an entertainment and educational high-tech park. It will have France's first teleport, a telecommunications free zone designed to encourage enterprises to settle in the area. Mr Monory, one of the principal political patrons of the Poitou-Charente region, claims that the teleport will offer sizeable reductions in the cost of telecomunications services for heavy users. "The reduction can be as much as about 40 per cent of their normal costs," he said.

René Monory: political patron

Mr Monory, the burly son of a garage owner who steadily climbed the local and national political ladder, emphasised that Futurescope was intended in no way to be a commercial project. "This is not a capitalistic park although I am an open market man. Our aim is to see the park break even, but what is more important is the contribution it can make to our region, its economy and education."

Indeed, the local region will invest directly about FFr 800m (£80m) in the FFr 1bn project with the rest coming from donations and grants from industrial partners. Already about FFr 40m has been raised from major French and international companies largely involved in high tech and other emerging sectors.

As well as attracting new industries in a region heavily reliant on agriculture and with an 11.7 per cent unemployment rate, Futurescope is also designed to improve the image of Poitiers and encourage the development of tourism.

"Our region is not very rich in terms of tourism like the nearby Loire Valley and its famous châteaux or the Bor*deaux wine region. We hope* Futuroscope will attract more tourists here," said Mr Monory who has been actively promoting his project between his ministerial duties. Already he expects about 500,000 visitors to come to Futuroscope in the remaining months of this year with the number growing to about 1m a year by 1989.

Although there was local scepticism initially over Mr Monory's project, now even the left-wing opposition is backing the scheme. "I had the idea of doing something of this kind after the left came to power in 1981 and I was back in opposition," explained Mr Monory, who gathered a young team around him and moved quickly to promote the scheme. He also visited Silicon Valley and Disney's Epcott centre in Orlando, Florida, for ideas.

Above all, however, the new park is likely to help change the image of Poitiers, which is in bad need of a boost. "Most people abroad don't even know where Poitiers is. If they do, they immediately associate this city with French trade protectionism and the dirty tricks of our administration," remarked a local hotelier, referring to the famous affair of video cassette recorder (VCR) imports.

A few years ago, the French government made Poitiers, with its inconvenient geographical position and awkward transport facilities, the centre where all *imported VCRs had to* be cleared by French customs. It was a blatant move to obstruct the imports and although the government subsequently lifted its VCR import restrictions and obstacles, Poitiers has never lived them down.

Norway to toughen law on high-tech

By Karen Fossli in Oslo

THE Norwegian Government has moved to still US anger over the involvement of Kongsberg Vaapenfabrikk in sales of high technology to Moscow by promising to introduce tough legislation to protect Western technology from export to the Soviet Union.

In a letter to President Reagan, Mrs Gro Harlem Brundtland, Norwegian Prime Minister, said a bill designed to strengthen the enforcement of the strategic export control through increased penalties and more severe statutes of limitation will be submitted to parliament this autumn.

"At the same time, our system of export licensing, physical inspection and customs control will be significantly strengthened."

Investigations are under way into whether Kongsberg may have been involved in other exports in violation of Cocom agreements, besides its role in selling strategically important machine tools and related technology to the Soviet Union.

The Prime Minister's letter, and the mooted legislation, is in response to recent action taken by the US Congress to seek compensation from Norway.

French markets decline in wake of trade deficit

BY GEORGE GRAHAM IN PARIS

FRENCH financial markets fell sharply yesterday in the wake of a severe deterioration in the country's foreign trade deficit.

The deficit slumped to FFr 5.6bn (£567m) last month after seasonal adjustments, compared with FFr 3.6bn, despite an improvement in the French surplus on agricultural trade.

France's worsening industrial trade deficit more than doubled in May, reaching FFr 3.8bn, with imports of capital goods running at an especially high level. Over the past three months they have been 9.1 per cent higher than in the same period a year earlier.

The Finance Ministry, which has grown increasingly worried at the climate of economic pessimism prevailing in France, tried to put a favourable gloss on this industrial trade deficit by saying it showed the strength of capital investment by industrial companies.

The government has come under attack, not only from the socialist opposition but also from right-wing critics such as the former prime minister Mr Raymond Barre, for not doing more to stimulate corporate investment.

The overall French trade deficit in the first five months of 1987 now totals FFr 15.3bn, compared with a deficit of only FFr 6bn in the same period of 1986.

Balladur—under pressure

The news yesterday sent the French franc sliding, even though rumours of an even worse trade deficit had been circulating in Paris markets the previous day.

Mr Edouard Balladur, the Finance Minister, was able to announce better news on the success of his privatisation campaign.

Speaking yesterday to a conference of young company directors Mr Balladur said that the privatisation of Societe Generale, the bank whose shares are on offer until the end of next week, would bring the Government's privatisation receipts to FFr 52bn.

The French budget foresaw only FFr 30bn of privatisation receipts in 1987, of which two thirds were to be allotted to the reduction of government debt and a third to capital injections for companies remaining in the state sector. The additional privatisation receipts will be divided in the same proportions.

Total income from privatisations this year will greatly exceed FFr 52m. The sale of Societe Generale is due to be followed later this month by that of TF1, the main national television chain, while the autumn will bring the flotation of Compagnie Financiere de Suez, the major investment banking and industrial holding group, one of the three large state insurance companies and possibly the chemicals concern Rhone Poulenc.

These three sales could together bring in another FFr 46bn for the state at current market values, bringing total reecipts for the year to around FFr 90bn — three times the original budget projection.

Irish government backs I£260m meat venture

BY HUGH CARNEGY IN DUBLIN

THE IRISH Industrial Development Authority, hit last week by the sudden shutdown in Dublin by Hyster Corporation of the US, yesterday announced it is to put I£30m into an I£260m expansion of the indigenous meat industry.

Under the scheme, Goodman International, a private Irish meat processing and exporting company owned by Mr Larry Goodman, is to spend I£120m in fixed assets and I£140m in working capital over five years to build five new factories and expand five other existing plants in the Irish Republic.

Already the largest beef processor and exporter in Europe through its subsidiary Anglo-Irish Beef Processors, Goodman plans to increase dramatically its capability in added-value products. Its main markets are in Britain, West Germany, France and the Middle East.

The project has heavy political backing from the Fianna Fail government of Mr Charles Haughey, the Prime Minister, who chaired a press conference to launch the undertaking.

He said the scheme, slated to create more than 1,100 full- and part-time jobs, was particularly desirable because it was being undertaken by an indigenous company, was export orientated and added value to a natural resource.

After the embarrassment over the Hyster deal, into which the IDA sank I£15m to back the company's efforts to develop automated handling equipment, the IDA was keen to stress the investment in Goodman, one of its largest, was good value for money.

The IDA contribution will be divided into I£25m in capital grants over five years and I£5m in repayable preference shares. The IDA will be involved in attempts to raise a further I£30m towards the project from Feoga, the EC's European Agriculture Guidance and Guarantee Fund.

Maltese doctors may return

THE END to a ten-year-old industrial dispute by Maltese doctors is expected to be negotiated over the weekend by the Medical Association of Malta and the island's new government of Dr Eddie Fenech Adami, Godfrey Grima reports from Malta.

This would mean the return home of about 80 foreign doctors, mostly East Europeans, who were recruited by former premier Mr Dom Mintoff to run Malta's central state hospital, St Luke's in 1977 whilst Maltese doctors were locked out of state hospitals for taking industrial action. Many eventually left the island and they are now being given a month to decide whether they wish to fly back home to their old jobs.

Brussels offers Yugoslavia loan

THE European Community has offered Yugoslavia an Ecu 550m (£420m) loan for road and railway projects, the official Tanjug news agency said yesterday, Reuter reports from Belgrade.

A loan agreement, still to be ratified by the 12 EC countries and the European Parliament, has been signed in Brussels.

The 20-year 7.5 per cent interest loan will pay for the remaining 406 miles of a 740-mile trans-Yugoslavia motorway from Austria to Greece and for modernisation of Yugoslavia's railway network, Tanjug said.

Yugoslavia has also asked for a grant of Ecus 100m from the EC budget. It was rejected by the Community but will be rediscussed.

Belgium likely to lose out in tussle for ballet genius

BY WILLIAM DAWKINS IN BRUSSELS

BELGIUM yesterday stood on the brink of losing Mr Maurice Bejart, the mercurial director of the Brussels-based Ballet of the 20th Century.

French-born Mr Bejart has accepted in principle a generous offer from the Swiss town of Lausanne to move his 60-strong dance company to the shores of Lake Lemanv. The result has been an international tussle between Belgium, Switzerland and France, which has shown renewed interest in tempting Mr Bejart back to his home country.

The Lausanne local authori*ties have offered* a package worth up to SwFr 5m (£1.8m) for the troupe, an offer which the financially hard-pressed Belgian authorities are hard pressed to match. The bearded 60-year-old dance genius is understood to have had heated personal battles over the company's management with Mr Gerard Mortier, the Flemish director of the Belgian National Opera.

Public opinion is divided over which man to blame in a dispute which provides a telling illustration of the perennial tensions in Belgium between French and Flemish interests. "I am not abandoning Belgium. Belgium is abandoning me." Mr Bejart told Belgian radio.

Mr Bejart has kept an otherwise dull Belgian ballet at the centre of the international stage for the past 27 years, and is a major figurehead in the nation's increasingly depleted cultural scene.

His departure would be a serious blow to a country which is increasingly worried about seeing its cultural heritage usurped by foreigners. This includes most of the best works of Belgian surrealist painter Rene Magritte, due to be sold in London next month because of a row over his wife's estate.

Mr Bejart announced his surprise plans late last week from Leningrad, where he is preparing a television film with the Kirov ballet. A desperate Mr Philippe Monfils, president of Belgium's French executive, flew to the Soviet Union in a fruitless bid to persuade Mr Bejart to Belgium to set up a new company under French rather than Flemish management. By a curiously ironic twist, Mr Monfils left Mr Bejart empty handed to attend the opening yesterday of a Magritte exhibition in Lausanne.

It is by no means sure whether Mr Bejart's future is finally sealed. The mayor of Lausanne plans to meet him in Leningrad today to sign a conditional contract. But Mr Philippe de Villers, France's Secretary of State for Culture, is understood to be trying to get the private sector to mount a counter bid.

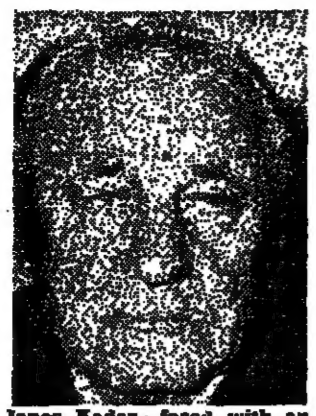
EUROPEAN NEWS

Hungary urged to adopt more radical reforms

BY LESLIE COLITT IN BUDAPEST

A LEADING Hungarian economist and father of Hungary's economic reform programme, the first in Eastern Europe, has criticised the Communist leadership for "lacking the courage" to carry out essential economic and political reforms.

Mr Rezsoe Nyers, a former top party official, was instrumental in launching the Hungarian economic reforms in 1968. He said however that Hungary's recent economic reversal could not be overcome without a genuine breakthrough which would allow the entire economy to operate on a "market basis." Mr Nyers' remarks were made in an interview at the Hungarian parliament where he heads the domestic and international trade committee.



Janos Kadar—faced with an ailing economy

The Hungarian leadership under Mr Janos Kadar, is faced with stagnating growth, a widening hard currency trade deficit—$400m in the first five months—and a growing net hard currency debt. Many Hungarians blame Mr Nyers' reform programme for the fall in real incomes since 1981 and for inflation which the Government admits will be well above its target of 7 per cent.

The Hungarian Communist Party said yesterday that a two stage programme is to be adopted next month to cope with immediate economic problems and to introduce new reforms.

Mr Janos Barabas said a two to three year economics stabilisation plan would be announced along with a plan to reduce Hungary's external debt and to give "top priority" to restructuring inrustry. Price and wage reforms would also be introduced.

The political leadership, he said, now realised that certain conflicts could not be avoided and that some social groups would be hurt by the reforms. In a remark aimed at prominent critics of the party's economic policies he said the "Kadar regime does not regard the population as a guinea pig to test economic ideas."

Mr Nyers said the public mood has grown hostile towards further economic reforms. Not since the "Habsburg era has there been an atmosphere of such a priori resistance by Hungarians," he said. He attributed it to serious economic mistakes made in the past and to the leadership's delays in pressing forward with new reforms.

At the root of the party's hesitancy over reforms, he noted, lay the fear of conflict and social tensions in Hungary. The leadership felt Hungarians would not accept even a small amount of unemployment which would inevitably result from meaningful economic reforms.

Dutch environmentalists call for waste inquiry

DUTCH environmentalists said yesterday that they had called on the Government to ask West Germany to carry out a full inquiry into its scheme to build a huge dump for industrial waste near the Netherlands border, Reuter reports from the Hague.

The Amsterdam-based Environmental Defence Association said it had sent a letter to Mr Ed Nijpels, Environment Minister, explaining its concern at the size of the planned dump and the dangers of storing various chemicals and industrial waste there.

The West German Government has chosen a provisional site of between 110 and 160 hectares at Wemb on the border west of Duesseldorf.

The association said the West German Government is planning to investigate possible risks to the environment arising from the dump but this was not sufficient and it had asked Mr Nijpels to demand a full environmental inquiry.

IRI fails to resolve row over steel industry

By John Wyles in Rome

A STRUGGLE between Professor Romano Prodi, chairman of IRI, the Italian state holding company, and members of his executive committee over the future management of the unprofitable public steel industry remained unresolved yesterday after weeks of argument.

The IRI executive has postponed until July 7 a decision on whether to confirm for another three-year term the present board of Finsider, the state-owned steel holding company which employs 80,000 people, together with the re-appointments of Mr Lorenzo Roasio and Mr Sergio Magliola as its president and managing director.

A terse announcement on the postponement was seen as confirming that Prof Prodi had still not convinced all of his four colleagues on the IRI executive of the need for a change at the top of Finsider. The IRI chairman is a Christian Democrat nominee, but each of the others represents one of the other four political parties in the last Italian coalition.

The current uncertainties over the make-up and leadership of the next government following last weekend's general election are thought to be partly responsible for the obstacles being put in Professor Prodi's way.

This is because the next government will have to grapple with a major restructuring operation for steel, designed to cut the industry's steadily increasing losses. These amounted to L980bn ($454m) last year and represent the failure of the recovery plan being implemented by Messrs Roasio and Magliola.

After reducing capacity by 30 per cent and cutting 55,000 jobs, the plan was badly knocked off course by a steep fall in steel prices in the second half of last year, rising imports and falling exports. A new plan was presented by the Finsider management in May but then rejected by IRI as too lacking in detail.

Professor Prodi believes that the management should have reacted more nimbly to the deterioration in the market last year. He fears that the management will have little credibility in negotiating new cuts with the trade unions after the failure of its initial strategy.

His confidence was further shaken by marked differences between the recovery strategy submitted at the end of April and the more detailed plan sent in in May. Not published but extensively leaked, this calls for 18,000 redundancies (including 2,600 externally employed on maintenance and services) and a recapitalisation of around L2,700bn over the next three years.

IRI's adoption of a final steel plan is being eagerly awaited in Brussels where the Commission believes that Italy is breaching the EC's ban on all operating subsidies. It now looks likely that, once in place, the next Italian Government will seek permission not only to supply financing for plant closures but also operating aids until Finsider reaches its new break-even target, which would be the end of next year.

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A Special Correspondent reports on delayed reforms to Italy's criminal justice system

No hope of remission for Italian prisoners

THE Italian system of criminal justice has long been a source of concern to human rights groups. The European Court of Human Rights has been strongly critical of its workings and certain cases have given Amnesty International much to worry about.

No one seems to know for certain, but the notoriously slow grinding of Italian justice may mean that nearly 70 per cent of those behind bars are still awaiting conviction or acquittal.

The calling of elections buried for at least two years, if not forever, a referendum which could have opened the way to individual claims for damages against grave negligence by the all-powerful magistracy. More seriously for those imprisoned on criminal charges, the election cast uncertainty over the planned introduction by 1989 of a new code of criminal procedure designed to replace statutes introduced by the fascist regime in 1930.

The new code was passed in outline by the last parliament and is now awaiting detailed drafting by a ministerial committee. Its greatest novelty would be the introduction of a trial procedure embodying features of the accusatorial system common to the English-speaking world.

Italy's system dates back to the Holy Inquisition, modified by the Napoleonic codes. It puts responsibility for criminal investigations into the hands of prosecuting magistrates, rather than the police, and gives an investigating prosecutor wide powers of arrest and imprisonment.

Behind bars: when a case eventually comes to trial, defending counsel may only suggest lines of questioning

When the accused eventually come to trial at the moment, they face a presiding judge whose task it is to arrive at the "truth." The only help that defending counsel may offer is to suggest witnesses to be called and lines of questioning which the judge should follow.

The new code offers some check on the imprisoning powers of a magistrate by requiring him to seek the endorsement of a judicial magistrate—albeit a working colleague. It would also introduce alternative modes of trial, including a form of plea bargaining in an attempt to speed up the painfully slow proceedings.

The concept of a preliminary hearing would also be introduced, although it is not yet known whether this would be in public. The novelty would be the presence of a defending counsel: at the moment committals to trial are decided by an "instructional judge" in the privacy of his office. It remains to be seen how much the sufferings of the accused may be abbreviated—even after the reform this preliminary hearing could still take place 18 months after the accused is taken into custody, in contrast with the 96 hours before a defendant is brought before a public court in England.

Nor will the Italian trial process be much changed, although a four year limit of imprisonment has been set for the period of investigation under suspicion, charging, committal to trial, public trial, debate and sentence, appeal court trial, debate and sentence, and definitive sentence by the Supreme Court of Cassation.

The four year limit would not, however, cover the trial-debate phases in open court which take as long as judges consider necessary. The present maximum for the entire procedure is six years.

Hearsay evidence — at present freely used—should be eliminated, as would maxi-trials in football stadiums which try hundreds of defendants at the same time. For the first time, the prosecuting magistrate and the defending advocate would be free to call witnesses and examine and cross-examine them under the "direction" of the presiding judge.

The chief peculiarity of the Italian system is that every step in the process is completely controlled by members of the career judiciary who investigate, prosecute, try and judge without being answerable to any civil or political power. Independent juries were abolished in 1930 by Mussolini and the reform would not revive them.

Senator Giuliano Vassalli, president of the Senate's justice committee when the reform was drafted and a widely acknowledged legal authority, concedes the relative impotence of political authority.

"We are unable to reduce the role of the career judiciary because they are too powerful, they will not let us. They not only control the judicial process and the prison system, but the Ministry of Justice too."

Though the Italian constitution defines the magistracy as "subject to the law," only the magistracy has the power to interpret it and, it seems, to dictate how the laws are written.

These untrammeled powers are often justified by the need to fight terrorism, the Mafia, and corruption. Asked about the sovereignty of parliament, however, Senator Vassalli sighed: "We have a limited sovereignty here—like in East Europe—limited by the power of the judiciary. There is little we can do about it."

Japan's European van market share falls

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

SALES OF Japanese commercial vehicles in Western Europe increased only slightly in the first quarter of this year compared with the same months of 1986 and in booming conditions, their market share fell sharply.

Total commercial vehicle sales in Western Europe in the quarter were nearly 10 per cent up at 426,700, against 388,300 in the same period last year.

The Japanese lifted their volume sales marginally, from 62,128 to 62,298, which left their market share down by 1.4 percentage points to 14.6 per cent.

This is the lowest level since 1984 since when the Japanese share rose to peak at 16.9 per cent last year, mainly at the expense of Volkswagen of West Germany and Ford.

Renault of France, which regained top place in the European commercial vehicle sales league last year with a 16.9 per cent share—just ahead of the combined Japanese penetration of 16.2 per cent—lifted its performance again in the first quarter to take 17.6 per cent

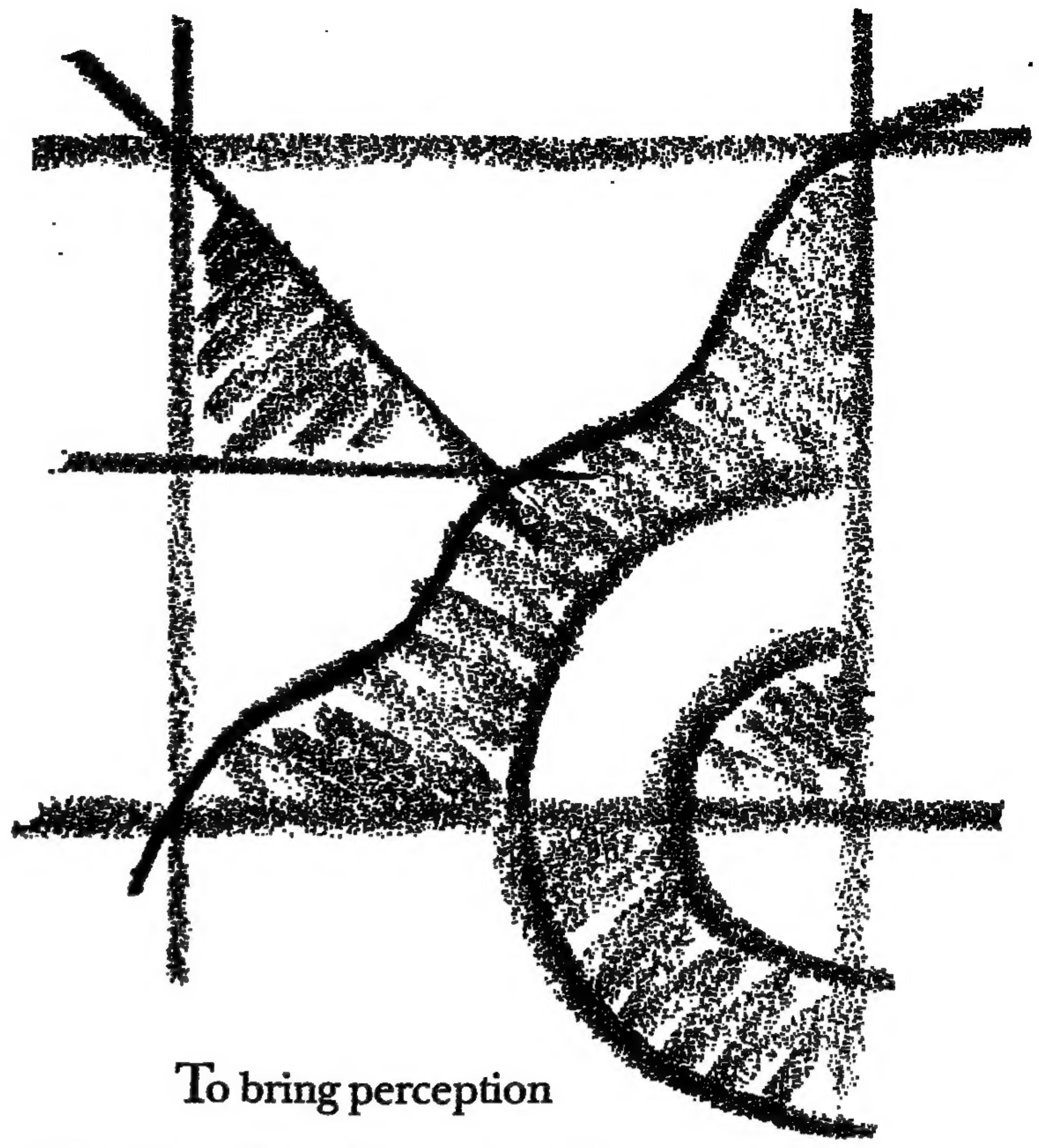
Its French competitor, the Peugeot-Citroen group, held on to third place even though it suffered a drop in share of nearly one point in the quarter to 12.6 per cent.

Ford showed the greatest gains in the quarter—a 3.1 point improvement to an 11.7 per cent share, reflecting the fact that production of the new Transit van is now at a high level

Paris launches TV experiment

FRANCE yesterday launched an experimental scheme for privately-run local television stations

The National Committee for Communications and Liberties watchdog body said new private channels would broadcast in the Indian Ocean island of Reunion and the Caribbean territories of Martinique and Guadeloupe.



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Industrial nations head for a lacklustre performance

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN PARIS

THE Organisation for Economic Co-operation and Development yesterday reported a significant worsening in the economic performance of industrialised nations.

In its latest assessment of prospects for the next 18 months it predicts a continuation of slow growth, high unemployment and large current account imbalances.

The half-yearly Economic Outlook is markedly less optimistic than the Organisation's previous set of forecasts, published last December.

It predicts that output growth among the 24 OECD nations will average only 2¼ per cent in both 1987 and in 1988. The pace of expansion is expected to be still slower in West Germany and Japan, while the number of people out of work will remain high almost everywhere.

World trade is expected to grow by only 2½ per cent this year compared to the 4 per cent recorded in 1986. The prospects for inflation are "broadly satisfactory," but in the US in particular they have worsened slightly.

The report follows the failure of the leaders of the West's three main economies—President Reagan of the US, Mr Yasuhiro Nakasone of Japan, and Mr Helmut Kohl of West Germany—to agree on any new policy initiatives at the recent economic summit in Venice.

Nakasone (left), Reagan (centre) and Kohl—tougher times ahead

For the OECD area as a whole inflation is expected to run at about 3.5 per cent this year and to accelerate marginally in 1988. In the US, however, the effects of the recent dollar decline and the recent rise in oil prices is likely to move inflation into the 4 to 4½ per cent range.

"This would appear to bring US inflation to a point where any further acceleration would have to be resisted by the monetary authorities and there provoke a rise—possibly sharp —in interest rates."

Slower growth in the industrial nations and higher interest rates in the US could also undermine the debt strategy, which has already been dented by the reluctance of commercial banks to provide new money for the worse-affected debtors.

In an unusually forthright commentary on the overall outlook, the Organisation adds that even this lacklustre growth performance could be jeopardised by renewed turbulence on financial markets unless governments in the biggest economies live up to their policy commitments.

The recent deterioration it says, it due in large part to an apparent weakening in private sector confidence, related in *particular to recent wide* swings in exchange rates and uncertainty over their future evolution.

"For confidence to be restored, it is important for governments swiftly to implement internationally - agreed commitments," the Outlook says.

At the same time it warns that on the basis of existing policies and unchanged exchange rates the large external imbalances between the US, Japan and West Germany might well persist into the 1990s.

The Organisation's forecasts are based on the assumption of unchanged exchange rates, but it warns repeatedly of the danger of a further fall in the dollar's value.

Its concerns are based on medium-term projections which show that the imbalances could actually worsen towards the end of the decade. They come despite the February's Louvre agreement between the major industrial nations to seek to stabilise exchange rates.

"The view that a period of greater exchange rate stability was desirable did not imply a judgment that the existing configuration of exchange rates and policy settings would produce a full correction of external imbalances . . . this is indeed doubtful," the Outlook says.

It calls for a "fiscal re-balancing" of policies in the major economies, with a tighter approach in the US, offset by looser policies in Japan and West Germany.

The largest action required in a reduction in the US budget deficit and in that context the US Administration should admit the possibility of tax increases—particularly as the cut in the 1987 deficit now seems likely to turn out smaller than expected and as there is as yet no agreement with Congress on the 1988 budget.

As regards monetary policy, the Organisation says the prospects for growth and inflation are consistent with a continuation of the present relatively easy policy stance in most countries. That could lead to a further market-led reduction in interest rates.

Summary of OECD projections

Seasonally adjusted at annual rates	1985	1986	1987	1988
	Percentage changes			
Real GNP				
US	2.7	2.5	2½	2¾
Japan	4.7	2.5	2	2
W. Germany	2.5	2.4	1½	2
OECD Europe	2.6	2.5	2	2
Total OECD	3.0	2.5	2¼	2¼
Real total domestic demand				
US	3.4	3.5	1½	2
Japan	3.8	4.0	2½	2¾
W. Germany	1.5	3.7	2¾	2¾
OECD Europe	2.4	3.8	2¾	2½
Total OECD	3.1	3.6	2¼	2¼
Inflation (private consumption deflator)				
US	3.5	2.1	4	4½
Japan	2.1	0.6	0	1½
W. Germany	2.1	−0.4	¾	1½
Other OECD countries	8.4	7.0	6	5
Total OECD	4.5	2.8	3½	3¾
	$bn			
Current balances				
US	−117.7	−140.6	−147	−126
Japan	49.2	86.0	95	87
W. Germany	13.2	35.8	37	29
Total OECD	−58.9	−19.7	−23	−30
	Per cent of labour force			
Unemployment				
US	7.2	7.0	6¾	6½
Japan	2.6	2.8	3	3
W. Germany	8.3	8.0	8	8½
OECD Europe	11.1	11.0	11	11½
Total OECD	8.4	8.3	8½	8½
	Percentage changes			
World trade	3.6	4.0	2½	4

Source: O›

UK growth likely to lead to small fall in jobless

BY PHILIP STEPHENS

BRITAIN'S economic growth is likely to outpace that of most other major industrial nations in 1987, leading to a further small reduction in the unemployment rate, the OECD says.

It predicts that the British economy will expand by 3½ per cent this year against the OECD average of 2¼ per cent, while the jobless rate may fall from 11½ per cent in the first half of 1987 to 10½ per cent by end 1988.

The Economic outlook is less optimistic, however, on the overall prospects for 1988, for which it projects slower growth and a substantial deficit on the current account of the balance of payments.

Inflation is also likely to edge higher and "substantially more rapid wage increases than in other countries" are likely to remain a problem.

For this year, the OECD sees growth relatively balanced between consumption, private investment (particularly housing construction) and exports. The latter are expected to grow by 4¼ per cent in volume terms in 1987, reflecting the strong increase in competitiveness flowing from last year's devaluation of the pound.

In 1988 the growth rate of consumption and investment are both expected to slow, while exports are likely to be hit by the more recent strength of the pound and by a deterioration in Britain's unit costs performance.

The OECD forecasts a rise in the volume of exports of only 1½ per cent next year against an increase in import volumes of 4½ per cent.

That is projected to lead to a $6bn (£3.6bn) current account deficit in 1988 after a $2.5bn (£1.5bn) shortfall this year.

Consumer price inflation, expected to average 4 per cent this year, is likely to be running at an annual rate of 4½ per cent in the second half of 1988.

Fall in US dollar begins to show through

BY PHILIP STEPHENS

THE DOLLAR'S sharp depreciation against other major currencies over the past two years is now being reflected in trade flows between the leading industrial nations, the Organisation says.

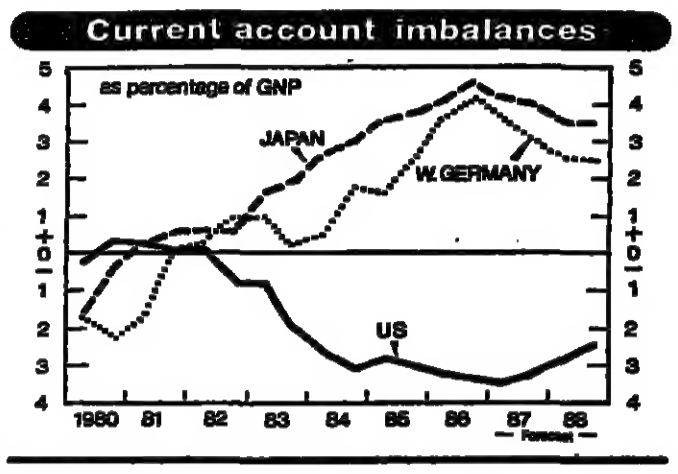
It adds, however, that large current account imbalances between the US, Japan and West Germany are likely to persist for several years and after an initial improvement could begin to worsen again.

The Economic Outlook forecasts that US exports of goods may grow 12 percentage points more rapidly than imports in 1987, reflecting the increased competitiveness of US industry.

The US terms of trade with the rest of the world, however, are projected to worsen by 8 percentage points, because of both higher prices for imported oil and the likelihood that prices of imported manufactures will rise relatively strongly.

Because of the size of the US trade deficit, these negative "J-curve" effects could result in a widening of the gap in dollar terms during 1987.

Current account imbalances



By 1988, however, the trade deficit should begin to narrow, reflecting slower growth of domestic demand in the US than elsewhere and the positive impact of the dollar's depreciation on trade volumes.

For Japan, the OECD says, the trade surplus may increase in 1987 but decline slightly in 1988.

This year, the terms of trade gain from the yen's appreciation is expected to be particularly marked, more than offsetting the combined effects of higher oil prices and trade volume adjustments. By 1988, however, the volume adjustments are likely to take precedence.

The Organisation's current account projections point to a rise in the US deficit to $147bn in 1987, followed by a fall to $126bn in 1988.

Japan's surplus is forecast to rise to $95bn this year before dropping slightly to $87bn next. West Germany can expect a surplus of $37bn in 1987 and $29bn in 1988.

More ominously, the Outlook warns that on the basis of present policies and exchange rates: "The US current account deficit and the Japanese surplus could both widen again in the years beyond 1988, leading to an unprecedented accumulation of net external liabilities and assets by these two countries."

Average unemployment rate to remain constant

BY PHILIP STEPHENS

THE OUTLOOK for the unemployed in industrialised nations remains bleak, despite a pick-up last year in the pace of employment growth, the OECD says.

It forecasts that the average unemployment rate for its 24 member nations will remain constant at 8½ per cent throughout 1987 and 1988. That represents over 31m people looking for work.

The Organisation also warns that on current trends employment growth in industrial nations over the next five years may be only slightly more rapid than the growth of the labour force.

"Hence, unemployment could well remain a major problem in many OECD countries, especially in Europe."

In 1986 there was a relatively strong rise in the number of jobs in both Europe and the US, but overall this did little more than match the rise in the labour force.

Slower growth in output this year and next is likely to be reflected in a deceleration in employment growth, leaving little prospect of a fall in the jobless total.

Many of the new jobs likely to be created are also expected to be concentrated in the part-time sector.

The overall picture, however, masks significant differences between the likely performance of different economies, the Organisation says.

The US, whose unemployment rate is already significantly below the European average, can expect some further slight fall. The OECD forecasts that the rate will be down to 6½ per cent by the end of 1988 from the present 6¾ per cent.

By contrast, the numbers unemployed in Europe may increase by 500,000 to 20m over the next 18 months, pushing the unemployment rate up from 11 to 11¼ per cent.

In countries with above-average unemployment rates—Britain, Spain and the Netherlands—the jobless totals may fall slightly, but in West Germany, Italy and France they are projected to rise.

OVERSEAS NEWS

Sharjah coup underlines federal uncertainty

Richard Johns reports on the latest unresolved crisis in the Gulf

THE POWER struggle within the ruling family of Sharjah has faced the United Arab Emirates with what is probably its most serious constitutional crisis since the formation of the federation in 1971. Yesterday the dispute within the Al Qassimi clan was unresolved.

Having returned from a holiday in London where he heard the news on Wednesday of his "abdication," Sheikh Sultan was sitting in neighbouring Dubai proclaiming his legitimacy.

In his home Emirate his elder brother Sheikh Abdul-Aziz with the 2,000-strong Emiri Guard under his control was sitting tight with border points and the airport closed, refusing to receive a delegation appointed by the UAE Supreme Council to mediate.

In the slow, stop-go evolution of the UAE it has always been impossible for anyone to say—whatever the largely irrelevant provisional constitution says—how far the federal writ runs.

In practice the length and breadth to which it has asserted itself has depended on how far Abu Dhabi, the richest and therefore dominant member of the seven-member union, has been prepared to foot the bill for the federal budget and subsidise the poorer Emirates. With the fall in oil prices and

Sheikh Sultan: heavy debts

squeeze on its own finances its willingness and ability to do so have waned.

One factor in the present imbroglio is clear: Sheikh Abdul-Aziz and other members of the Al Qassimi, one of the most factious of feudal ruling families in the Gulf, had decided that Sheikh Sultan was not fit to govern because of his prime responsibility for the state's financial mess.

It had borrowed heavily on the strength of a very limited revenue from its 30 per cent share of the off-shore Mubarek oilfield and more plausibly the Sajaa gas field discovered and developed by Amoco. It was the latter that gave Sharjah a measure of independence from periodic hand-outs from Sheikh Zaid of Abu Dhabi.

In the name of Sheikh Sultan it has incurred a total debt of at least $1bn and as much as $1.3bn-$1.4bn, according to the estimate of one bank involved. About half of it is accounted for by arrears which have piled up over the past two years. While international banks have received irregular payments, local financial institutions and contractors have suffered most.

Among his peers, the bookish and increasingly religious Sheikh Sultan is unique in having received higher education with a degree in agriculture from Cairo University and more recently a Ph.Dd from Exeter University where he endowed a chair in Islamic studies. His thesis, ironically, was very critical of Britain's original intervention in the Gulf against the pirates of the Trucial Coast.

By contrast his brother Sheikh Abdul-Aziz, aged 50 and about two years older, was trained at Mons officer cadet school in the UK, served with the British-controlled Trucial Oman Scouts in pre-independence days and from 1972-1976 was commander of the Sharjah National Guard before it was merged into the UAE Defence Forces.

He has been Persident of the Chamber of Commerce and active in business not the least as owner of the Sharjah National Travel Agency. He, like others prominent in business, may have looked askance at Sheikh Sultan's decision two years ago to ban alcohol in the Emirate after a big investment in hotels and tourist facilities in the late 1970s

Bankers who have dealt with Sheikh Sultan say that he was inept at financial management. He had several offers of assistance with a comprehensive debt settlement but turned them down preferring to deal with creditors individually. Yet they are the first to point out that the Federal Government has been largely responsible for the financial mess.

The methane flow from the Sajaa gas field which also yields 50,000-60,000 barrels a day in condensates for export, generates electricity in plants run by the Emirates General Petroleum Corporation, a federally owned concern with a monopoly over gas distribution as a fuel replacement for oil. It so happens that because of difficulties with the UAE budget and Abu Dhabi's reluctance to go on subsidising other members of the UAE, Sharjah has not been paid for any of the methane used.

EGPC is estimated to owe anything up to $300m-$450m which in the first instance should be paid to Amoco. For that reason the company has withheld royalties and taxes in respect of the dry gas. The resulting dispute with Sharjah has been referred to the International Chamber of Commerce in Paris for arbitration.

So the Federal Government and Abu Dhabi, the old paymaster which, in effect, constitutes the central authority, is very much to blame for Sharjah's plight. President Zaid also appears to have given the green light to the abdication announcement carried on Wednesday by the official UAE news agency WAM attributed to Sheikh Sultan in which he confessed to "mistakes . . . in planning and financial policy" and referred to his time-consuming "higher studies."

Hanoi names elderly leaders to top jobs

Vietnam's parliament yesterday named Mr Pham Hung, an aged and ailing former Viet Cong guerrilla leader, as prime minister in what appeared to be a transitional appointment, Reuter reports from Hanoi.

Mr Vo Chi Cong, 74, an advocate of pragmatic economic change, was given the largely ceremonial post of President, replacing 80-year-old Mr Truong Chinh, Vietnamese officials said.

Mr Hung, also 74 and said by Vietnamese officials to have a history of heart and liver illness, takes over from resistance hero Mr Pham Van Dong who was Vietnam's second premier and had held office since the mid-1950s.

Vietnamese officials said privately the election of Mr Hung and Mr Cong by the National Assembly appeared to be a transitional move in keeping with a strong Confucian tradition of respect for seniority

Mr Nguyen Co Thach, the Foreign Minister, and Mr Vo Van Kiet, State Planning Commissioner, men in their 60s, were favoured by many Vietnamese hoping for younger, more capable leaders to correct massive economic problems.

One party member said the appointments were the assembly's "best options and correspond to reality in Vietnam."

Mr Nguyen Van Linh, the party leader, and other reformists at the top of the Communist hierarchy have been calling for drastic but gradual change in the government and party leadership.

"There will be no big changes overnight. It's a process that may require a transition period," the party member said.

In an unusual move, Mr Vo Nguyen Giap, the hero of the Vietmin siege of Dien Bien Phu in 1954, was retained as a deputy prime minister even though he did not win an assembly seat in the April elections, Mr Thach told a news conference.

US seeks new curbs on sales to East bloc

BY DAVID BUCHAN AND NANCY DUNNE

THE US is to press its allies for tougher penalties on export control violators in the wake of revelations yesterday that a Toshiba subsidiary sold a second batch of sensitive machine tools to the Soviet Union.

Japanese officials told their American counterparts yesterday that Toshiba Machine made a second sale of four propeller grinders to the Soviet Union in April 1984 after selling a similar number the year before in conjunction with the Norwegian company, Kongsberg. US officials say the sale has endangered western security and forced the Pentagon to spend "billions of dollars" to repair the damage.

News of the sale is likely to further inflame congressional animosity towards Toshiba. Senate aides are already drafting legislation imposing sanctions, which could bar Toshiba from the US market.

Dr Steve Bryen, head of the defence department's technology security division, said yesterday that the US would use a planned meeting in Paris of the Coordinating Commitee (Cocom) to press the Europeans and Japanese to impose more severe penalties on export control violators.

Two senior Toshiba machine officials have already been charged under Japanese law for the first sale, and the company has been forbidden to sell to Soviet bloc countries for two years. However, Dr Bryen said that although there had been better cooperation between allied governments and police forces, "the judicial part of the process has not kept pace". Penalties for breaking controls were frequently too soft and, in particular, the statutes of limitations on export offences in various countries were often too short.

The Toshiba milling equipment is designed to shape sophisticated propellers. The first sale involved machines with nine independently controlled axes, driven by softwear provided by Kongsberg. Japanese officials believe that these may have been used to make propellers for Soviet aircraft carriers, while the second shipment involving machines with five axes might have been employed to fashion propellers slightly smaller for submarines.

The improved, quieter, propellers have, according to US intelligence reports, enabled the Soviet Union to reduce the range at which its submarines can be detected by the US from 100 miles to less than 10.

American held in Lebanon

Mr Charles Glass, a US journalist, was seized by gunmen yesterday as he was travelling in a car to the south Lebanese port of Sidon. Abducted with him was Ali Osseiran, the son of Lebanon's Defence Minister. Glass is the ninth American believed held hostage in Lebanon, Reuter reports from New York.

Mr Glass was resident in England with his wife and five children for many years and worked for ABC television news from 1983 until he resigned in March to write a book on the Middle East.

Besides covering the 1985 hijacking of TWA Flight 847, Mr Glass also reported for ABC News on last year's US Air raids on Libya.

A spokesman for ABC News in New York said Mr Glass stayed on in Beirut as a freelance reporter with an exclusive contract with ABC. He had covered the assassination of Lebanese Prime Minister Rashid Karami earlier this month for the network.

Another US network quoted security sources in Beirut as speculating that Mr Glass was kidnapped to prevent him from giving testimony against Mohammed Ali Hameidi, a Palestinian being held in West Germany on suspicion of hijacking the TWA Boeing 727.

Sri Lanka vents anger

By John Elli. in New Delhi

SRI LANKA tried unsuccessfully yesterday at a New Delhi meeting of South Asian foreign ministers to raise the recent invasion of its airspace by Indian airforce fighter jets and transport aircraft carrying relief supplies for Tamil civilians.

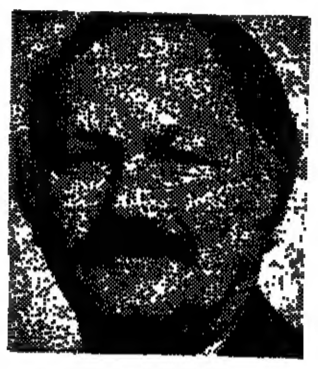
Mr Shahul Hameed, Sri Lanka's Foreign Minister, stepped up his implicit attack on India's action by calling for a regional convention to "bind us together to respect one another's independence, sovereignty and territorial integrity."

He was backed indirectly by Pakistan and Bangladesh. But India, which is the host and chairman of the two-day meeting, stayed aloof and showed no sign of letting its small neighbours do more than vent their frustrations.

New Zealand to sell off shareholdings in state enterprises

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND'S Labour Government is to sell off parts of major state-owned enterprises, including 25 per cent of Air New Zealand, and portions of the Development Finance Corporation, Petrocorp—the Government-owned oil and natural gas producer and distributor—the Forestry Corporation and the new-created Government Property Corporation.



Douglas: jubilant

The proceeds from the sale of shares to the public will be used to pay off NZ$600m (£217m) of New Zealand's huge overseas debt, officially put at NZ$42bn.

In addition the nine new state-owned enterprises, created on April 1, from former government departments such as the Post Office, will issue state enterprise Equity Bonds for up to 25 per cent of their total paid up capital.

The moves were announced by Finance Minister Roger Douglas in the Budget last night.

As expected the financial statement was largely a review and justification of the Labour Government's policies over the past three years, and in part had the late August election in mind. There were, however, no particular vote-catching bribes.

The Government is moving strongly to clamp down on company tax avoidance loopholes and will review the system of business tax.

Mr Douglas said he expected to double the amount of tax collected from companies. He also announced legislation to prevent New Zealanders taking advantage of overseas tax havens.

He also moved to stop the double deduction of losses by companies resident in more than one country which he referred to as "double dipping."

In future dual resident companies will not be allowed to group tax losses. They will have to carry them forward to offset against any future profits.

Mr Douglas was jubilant to be the first Finance Minister in 35 years to announce a budget surplus. This came from increased tax revenue and tight control over government spending as a proportion of gross domestic product.

Although the total amount of income tax paid by individuals will decline during the coming year the Government expects to increase its tax revenue by NZ$3.94bn to a total of $21.5bn. The increase will come from the Goods and Services Tax, the Fringe Benefit Tax, which taxes company perks, an increase in company tax, the phasing out of export tax concessions, the taxing of social welfare benefits, and increase in income tax because of higher wages and salaries.

In addition there will be an increase of $451m in non-tax government revenue. Much of this will come from dividends from the newly-created state-owned corporations.

One move which will help the Government's election chances was to reduce the tax surcharge imposed on old age superannuants who have other income. This measure is extremely unpopular with elderly people and Mr Douglas has been under considerable pressure to remove it. Although he has not abolished the surcharge completely he has increased the amount a couple may receive over and above their benefits before they start paying the surcharge.

US readies welcome for Chadian leader

BY PETER BLACKBURN IN ABIDJAN

CHAD's President Hissene Habre, who earlier this year inflicted a humiliating military defeat on Col Muammer Gadaffi, the Libyan leader, can expect a warm welcome in Washington during his six day official visit which started yesterday.

After a stunning desert campaign the lightly armed but fast moving Chadian troops last March drove the vastly superior Libyan forces into headlong flight from northern Chad after a four-year occupation.

President Habre will now be asking President Reagan for more military and financial aid to complete the expulsion of Libyan troops from Chadian territory and to start the reconstruction of one of the world's poorest countries drained by more than two decades of civil war.

Libyan troops still occupy the 110,000 sq km Aouzou strip on Chad's northern border. The largely uninhabited but reportedly mineral-rich territory was annexed by Libya in 1973.

President Habre has vowed to drive the Libyans out of the area. However, to do so he needs fresh military equipment, logistical support and protection from air attacks launched from bases in southern Libya, military analysts say. The US has already supplied emergency military assistance totalling $25m (£15m) in addition to regular military aid of $7m and $10m for economic development in 1987.

Chad is part of France's traditional sphere of influence and American aid supplements rather than replaces French assistance, US officials point out.

However, President Habre, who is due to visit Paris next month, may be tempted to exploit rivalries between the two countries in order to extract extra aid, West African observers say.

President Habre stopped off overnight in the Ivorian political capital, Yamoussoukro, where he had talks with 81-years-old President Houphouet Boigny concerning the prospects for national reconciliation in Chad and Libyan withdrawal.

In recent weeks the veteran Ivorian President has played an active peace-making role. Discreet consultations have been held with Mr Goukouni Oueddei, the former rebel leader and Chadian President, Mr Gouara Lassou, Chadian Foreign Affairs Minister Mr Said Hefiana, and Libya's Deputy Foreign Affairs Minister.

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AMERICAN NEWS

Corrigan warns of lack of direction in markets

By William Hall in New York

MR GERALD CORRIGAN, the president of the Federal Reserve Bank of New York, yesterday warned that the US cannot afford a financial system where participants are allowed to maximise profits and failures are bailed out by a public safety net.

There is a "sense of unease" in th efinancial markets that "all is not well" the central banker said in testimony to the Senate Banking Committee yesterday.

There was concern that legitimate, broad-based considerations of public interest, about the structure and stability of financial markets and institutions, were being "swept aside in a helter-skelter of events that lacks an underlying sense of direction an dmay be weakening the system," he added.

Mr Corrigan, who proposed this year his own plan for reforming the US financial system, was addressing a Congressional committee investigating broad-based reform of the US banking and financial system. He described the speed and scope of change in US financial markets and institutions as "*revolutionary*."

He warned that there was "a subtle danger that the developments we are witnessing—at least at the margin—are being reinforced by a belief that the public safety net associated with banking and finance will protect, not just the system as a whole, but also all of its individual component parts, including those who have acted in an irresponsible and undisciplined manner.

"To the extent that that perception exists, it must be changed. Of all the freedoms contemplated by the current environment, the freedom to fail must be part of the equation," said Mr Corrigan.

"*To put it differently*, we simply cannot have a financial system in which even a few participants seem to believe that standards of behaviour start with the maximisation of profits and end with the socialisation of losses.'

US narcotics observer sent to Bahamas poll

BY ATHENA DAMIANOS IN NASSAU

A US Congressional committee on terrorism, narcotics and international operations has asked the Centre for Democracy, a Boston University affiliate, to observe the Bahamian general election today on its behalf.

Amid growing concern over voting irregularities, the Senate Foreign Relations sub-committee chairman, Senator John Kerry, has asked Prof Allen Weinstein, president of the Centre, to examine whether conditions in the Bahamas are "conducive to the fairest possible balloting," and whether "political leaders of both parties, including the prime minister, recognise the deep partisan concern" that stronger efforts be made against the illicit drug trade.

Prof Weinstein was a senior member of the US team sent by President Reagan to observe the 1986 Philippines presidential election.

Great confusion is expected to surround the Bahamian election.

Only days before the poll, the electoral register was still incomplete. There is evidence of double voter registration while hundreds of Bahamians who registered are not on the list. Others are registered in the wrong constituencies.

Sir Lynden Pindling, the Prime Minister, seeking a sixth term in office, has admitted that mistakes have been made.

"A hell of a lot of people are in the wrong constituencies — we might as well face it," he said.

He told Bahamians to vote in the area where they live, even if they have to do so on protest ballots.

With alleged corruption the main campaign issue, the opposition Free National Movement has gained momentum over the past two months and is attracting record crowds at its public meetings.

The opposition is campaigning on a 1984 Commission of Inquiry report, which linked some of Sir Lyndon's friends and political allies to drug traffickers, but did not point its finer at him. The Prime Minister was found, though to have spent almost eight times more than he officially earned over a seven-year period.

On the campaign trail, he is saying that the FNM is supported by drug traffickers and that, under an FNM government, drug barons would have a free run.

Among those candidates in the governing PLP running for re-election are Mr Kendal Nottage and Mr George Smith, both of whom resigned from the cabinet because of Inquiry evidence that linked them to drug figures.

Sir Lynden says the opposition has overplayed the corruption issue and that the charges have lost credibility. The FNM is headed by Mr Kendal Isaacs, a former attorney-general and a man of sterling reputation.

Violence breaks out in Canada post strike

By Bernard Simon in Toronto

VIOLENCE erupted on picket lines in various Canadian cities yesterday as striking letter carriers chose new targets in what is expected to become one of the country's most bitter labour disputes.

Riot police were called out at Halifax after strikers had tried to keep replacement workers and trucks out of a postal station. Vehicles were damaged at St John's, Newfoundland, and damage was reported at a station in Montreal.

The 20,000-member letter Carrier's Union began its industrial action on Tuesday, after talks had broken down on demands by Canada Post for concessions on productivity and job security. The loss-making posttal agency, whose poor service and high charges have been the butt of public criticism for years, says that it needs to concessions to meet its target of breaking even by 1988.

The union, which has no strike fund, has limited its action to "rotating" strikes in different cities. Canada Post says it maintained some deliveries in affected areas, mainly through non-union temporary workers, many of whom were recruited before the strike began. Striket argets yesterday included much of Atlantic Canada, as well as Quebec City, Edmonton and Vancouver.

The walkout is expected to turn into a big test of strength for the Progressive Conservative government.

Bernard Simon on the revived controversy in Canada over foreign ownership

Takeovers reopen old debate

Brian Mulroney

CONTROVERSIAL bids by Chicago-based companies for two pillars of Canadian business have revived a spirited political debate on Ottawa's foreign investment policies.

The interest is by no means confined to the specifics of the two takeovers now underway – namely, the proposed C$5.2bn (US$3.8bn) purchase by Amoco, the US's fifth biggest oil company, of the crippled Calgary energy producer Dome Petroleum, and the C$2.7bn offer by JMB Realty, a real estate syndicator, for the Toronto property developer Cadillac Fairview.

Canada's foreign investment rules are a key element in the year-old negotiations towards a US-Canada free trade pact. US officials have identified the free and secure flow of investment capital as one of the stumbling blocks towards an agreement.

Amoco's bid for Dome has focussed attention on the growing number of foreign takeovers in the energy industry, a strategic sector in which successive governments have pledged to strive for maximum domestic ownership.

The pace of foreign acquisitions has accelerated across the board. The Dome and Cadillac Fairview takeovers bring the value of the dozen biggest investments in the past six months or so to well over C$10bn.

Fletcher Challenge of New Zealand has bought British Columbia forest products, a leading West Coast timber and paper producer. Mr Li Kashing, the Hong Kong entrepreneur, has taken control of Husky Oil of Calgary. Allied-Lyons, the British food and drinks group, has a 51 per cent interest in Hiram Walker spirits, the well-known distiller. Two foreign banks, Lloyds of Britain and Hongkong and Shanghai Banking, have acquired medium-sized Canadian institutions.

The surge in interest among foreign investors partly reflects Canada's strong economic performance in the past three years, as well as some target companies' search for a new, financially secure shareholder.

But it is also a clear sign that the liberalised regulatory regime put in place since the Progressive Conservative government came to office in September 1984 is bearing fruit.

Proclaiming that Canada is "open for business again," Prime Minister Brian Mulroney has overseen the replacement of the Foreign Investment Review Agency (FIRA) by the less restrictive Investment Canada (IC). The abolition of the interventionist National Energy Programme has removed many concerns among foreign investors in the oil and gas industry.

Amoco's bid for Dome was triggered last autumn by remarks by Energy Minister, Mr Marcel Masse that the Government would allow a foreign takeover of a financially-troubled oil company.

Ottawa now confines its formal vetting process to direct takeovers and new investments involving assets of more than C$5m, and deals in culturally sensitive industries. Most other investors need only notify IC of their transactions.

The Government has approved all 250 cases examined by IC since the agency's inception in mid-1985. IC has also been much more active than FIRA in promoting foreign investment in Canada.

A survey of foreign companies published last month by the Conference Board of Canada showed that Government regulation and foreign investment controls are no longer deterrents to investment in Canada. The board concluded that "overall, Canada has become more attractive to foreign investors since 1983."

On the other hand, the apparent ease with which foreign investors are buying up large chunks of corporate Canada worries a small but vociferous group of economic nationalists.

The critics, mainly in opposition parties in parliament, in trade unions and in certain sections of the media, are concerned that foreign shareholders will act in their own rather than in Canada's best interests.

To quell these fears, IC – like FIRA before it – continues to require specific undertakings from new investors about how they will run their businesses. The agency's mandate is to ensure that takeovers and new businesses provide a "net benefit" to Canada.

Mr Paul Labbé, IC's President, says that the emphasis in the undertakings has been on technology transfers, access to new markets, providing equity to Canadians, and advancing local management. He insists, however, that "we have not tried to force people to do uneconomic things".

Because they are so controversial, the Dome and Cadillac Fairview cases will be crucial tests for IC. As Mr Labbé points out, big foreign investments "tend to be politicised" in most countries.

While the agency will almost certainly not block the deals, it will be under pressure to impose conditions which demonstrate that the Government is not being soft on US corporate raiders.

Amoco's wholly-owned Canadian subsidiary has already promised not to remit any funds to its US parent for five years after Dome takeover and to make available some of its shares to the public. The total amount of funds to be left in Canada could be as high as C$1.5bn.

Amoco officials concede that the level of political controversy surrounding the Dome bid has surprised them. Their experience illustrates the intensity of the revived debate.

Argentine Falklands move

MR DANTE CAPUTO, the Argentine Foreign Minister, said yesterday his country was waiting for Britain to respond to overtures from Argentina, aimed to open talks on the Falkland Islands, Reuter reports from Buenos Aires.

"Argentina has reiterated its will to open dialogue," Mr Caputo said on Argentine radio, *adding that his country* "awaits the British reaction."

He said a congratulatory note, send by President Raul Alfonsin to Mrs Margaret Thatcher after the general election in Britain last week, was intended to open "a political space" with Britain.

"Friendly western nations" had shown a willingness to act as intermediaries between the two countries, which have had no diplomatic relations since the 1982 Falklands war, the minister said.

"There are countries that have taken an interest, and have suggested possibilities and mechanisms that could resolve this issue, which is absolutely blocked by the British position."

Argentine officials had made efforts to contact British officials through diplomatic channels offered by third countries during Mr Alfonsins visit this month to Switzerland.

US personal income rose 0.2% in May

US PERSONAL income rose by 0.2 per cent, or $2.9bn, in May to a seasonally adjusted annual rate of $3,630bn, the Commerce Department stated yesterday, Reuter reports from Washington.

The increase followed a revised 0.4 per cent rise in April. The Department had estimated that April income rose 0.3 per cent.

It also revised upwards the March personal income rise to 0.3 per cent from a previous 0.2 per cent.

Sarney pledges foreign investment drive

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is to launch a new industrial policy, aimed to open the country to new foreign investment and joint ventures, and to minimise the red tape which has stranded possible inflows of capital.

A sketch of the strategy was given this week by President Jose Sarney, in his first wide-ranging news conference of the year.

Aligning himself firmly with the internationalist, rather than the nationalist, faction in the current Constitutional Assembly he said he had given orders to ministers to draw up a new industrial strategy to encourage foreign participation.

Questioned on attempts to cut public expenditure, the president warned that a profound change in the country's thinking was needed to set about modernising its industrial profile, now obsolescent.

Controversial protectionist measures to defend the domestic *information* technology industry would remain the exception, not the rule. Brazil needed to raise imports to improve industrial output, he said.

The president added that the new industrial policy should allow the freedom of establishment for factories of any kind, without restriction, provided that these did not demand subsidies and incentives.

The country would also be encouraging debt-for-equity exchanges as part of its foreign debt negotiation, provided that national industries would be protected. For the impoverished north-east of the country, Mr Sarney proposed the creation of "export platforms" for foreign companies so as to maximise employment opportunities.

Mr Sarney pointed to the economies of the Far East and the European Community as *models, respectively, for* development planning and of a new interdependence in the world economy. Deregulation of companies' activities, and restrictions in the role of the state in industry, needed to be encouraged, he added.

Such objectives would represent a profound change in Brazilian government thinking after decades of centralised planning, based on nationalist principles.

WORLD TRADE NEWS

VW, Toyota on verge of light truck accord

BY ANDREW FISHER IN WOLFSBURG

VOLKSWAGEN is on the verge of signing an areement on light truck assembly with Toyota, which will be the first cooperation deal by a West German motor group on its home ground with a Japanese concern.

Mr Carl Hahn, the chairman of Volkswagen, said yesterday the German company was "at a very advanced stage" in talks on producing the Japanese-designed truck at its Hanover plant. Asked if he was confident an agreement with Toyota would result, he said: "I'm quite certain it will."

The deal would also have political significance. "It makes sense, it is financially sound for both parties, and it is politically timely," Mr Hahn added.

"We are not talking only about an American-Japanese imbalance of trade, we are also talking about a similar state of affairs with regard to Europe."

The two companies would soon sign a memorandum of understanding, he added. Last week, VW said it was holding talks with the Japanese group, but declined to confirm Tokyo press reports that they involved light commercial vehicles.

Yesterday Mr Hahn said production of the one-tonne pick-up trucks should start around the end of 1988. At first, only 3,000-4,000 a year would be produced, later building up to 15,000. It was too early to say if cars would be covered by the deal.

In terms of VW's total vehicle output—next week, the nine millionth Golf car will be produced—the deal with Toyota will be small.

"We wanted to test the water and see what the market could be for us," Mr Hahn said. At present, VW only makes trucks above and below the size of the Toyota model.

Under the deal, which VW expects to *announce next week*, 60 per cent of the trucks' content would be German. The vehicles would be based on Toyota's Hi Lux truck, but mostly sold under the VW name.

While VW will not have to bear the high development and design costs of a new product, it will still invest about DM 100m (£55m) in re-equipping the plant.

At present, the Hanover plant operates at only 70 per cent of capacity. But the reason for the deal, said Mr Hahn, was not so much to provide new work there as to enter a market that was "still relatively small in Europe, but gigantic in the US."

Also, it fitted VW's strategy of forming new links in key markets, such as with *Ford in* South America or its purchase of SEAT in Spain.

Proposed EC tax 'will hit developing countries'

FINANCIAL TIMES REPORTER

A PROPOSED European Community tax on vegetable oils would hurt developing-country sales to the EC much more than sales by European producers, Lord Kindersley, chairman of the Commonwealth Development Corporation (CDC), said yesterday.

It was a further example of what he called the "ridiculous farming policies" of the Western world.

He was introducing the annual report of the corporation, which invests British aid money in private-sector companies and projects in the developing world.

New commitments of over £100m in 1986 brought the corporation's total overseas investment to £972.2m. Despite lower commodity prices and payment delays, gross income at £60m was only slightly down on the previous year. The surplus transferred to reserves was £4.1m (£6.9m).

The report makes no mention of controversy surrounding its £6.4m loan to a Philippines oil palm plantation where peasant farmers are said to have been forced off the land.

An official of the corporation said yesterday that any evictions had occurred before the CDC was involved. But it had asked for a report from the plantation management of cases where compensation had not yet been paid.

Shultz gives warning of 'trade traumas'

By Roger Matthews in Singapore

Mr George Shultz, US Secretary of State, warned yesterday of "a possibly traumatic experience" for some countries as the US made the adjustments necessary to move from a deficit into a surplus trade balance.

He predicted these adjustments would happen much more rapidly than many observers believed.

Speaking in Singapore at the start of the Association of South East Asian Nation's post-ministerial conference, Mr Shultz said the universal strategy of aggressive export-led growth was becoming less effective.

The US had to compete more strongly in its own domestic market, "and we do speak that language," he said.

"The huge US deficit, which we all decry, has been in a sense the place into which everyone's export-led strategy for growth has gone.

"The huge surpluses of Japan and West Germany have fed on this deficit, so something will have to give, and it will be, possibly, a traumatic experience."

If the US Administration was to withstand domestic protectionist pressures, it would need more help from its trading partners, particularly those which maintain barriers to protect *their own markets.*

Mr Shultz's anxieties over the future of world trade were echoed by the Asean members and by the delegations from Japan, the European Community, Australia, Canada and New Zealand.

Mr S. Dhanabalan, Singapore's Foreign Minister, speaking yesterday on behalf of Asean, stressed that the region's future growth depended on access to the markets of the developed countries. But he feared that recent trends in those countries did not augur well for Asean.

Protectionist pressures in the US and Europe remained unabated. Japan had yet to show any real increase of access to its markets for foreign products. There had been an increase in bilateral trade deals among the developed countries at the expense of multilateralism.

Mr Dhanabalan urged the developing countries to show their *political determination to prevent* the world "from sliding into protectionism.

John Murray Brown reports on an end to 20 years' diplomatic hostility

Jakarta traders open the door to China

"LAWS FOR China traders and investors." Not so long ago it would have been unthinkable to find such a book in the Jakarta offices of Kadin, the Indonesian Chamber of Commerce. Twenty years after diplomatic ties were broken off and while official suspicions remain, Indonesia and China are today quietly forging a commercial partnership which could radically change trading patterns in the region.

The historic protocol signed in Singapore in July 1985 which opened direct trade links at least secured a formal footing. Another step will be taken this week when, for the first time in 30 years, some 45 Chinese companies will attend the Jakarta international trade fair, promoting everything from plastic sandals to traditional cures for impotence.

The accord on direct trade is a particular breakthrough for *Kadin* which, under Mr Sukamdani Gitosardjono, has fast become the voice of the Indonesian private sector, although apparently often at the expense of the country's powerful Chinese business community.

What is more, it has been achieved against stiff opposition from the Indonesian military who have been dragging their feet, claiming trade links merely give China new opportunities for subversion.

The history of relations between these two huge countries should be the stuff of thriller writers. Peking is still accused of supporting the Indonesian Communist Party PKI in the abortive coup of 1965, which saw President Suharto accede to power. Trade none the less has continued, with cheap manufactured goods from the People's Republic hitting supermarket shelves across *the Indonesian archipelago.* Some are smuggled from Singapore. A larger amount is transhipped through Hong Kong by Indonesian Chinese — among them a Mr Tsetu Wah Nan, formerly interpreter for President Sukarno, Indonesia's first *independent head of state.*

Indonesia's neighbours in the Association of South East Asian Nations, in particular Thailand, have already picked up on the freer economic climate prevailing in Peking. For many, China's decision to open its domestic markets has coincided with increased protectionism and sluggish demand for commodity exports in traditional *outlets in Europe and the US.*

The sharp fall in oil exports has been more dramatic for Indonesia. Historically the main foreign exchange earner, it has threatened to stall the engine of development, if not put it firmly into reverse.

China's own foreign exchange shortage has prompted tough import controls in an effort to curb a growing foreign trade imbalance, in excess of $10bn in 1986. However, Mr Cui Yushan, secretary general of the China Council for the Promotion of International Trade, said this week in Jakarta that China *gives top priority to the purchase of Indonesian products.*"

In the 18 months since the protocol was signed, direct exports to China totalled $310m, with imports at $114m, according to Kadin. Indonesia's total non-oil exports in 1985 were $5.9bn and imports of $10bn.

Mr Chris Walean, who led the first exploratory mission to Peking in 1977, estimates indirect trade over the period has been reduced by as much as 15 per cent to around $300m, *as traders* seek to avoid the higher costs incurred going through Hong Kong.

Indonesia exports to China include plywood, steel, aluminum ingot, rubber, palm oil, cement, fertiliser and coffee, outside the quotas set by the International Coffee Agreement. Even Indonesian teas are sold as China makes up targets on barter deals with Comecon countries.

Kadin believes countertrade is one way to reduce the current trade imbalance. It has already been successfully used on a coal for cement deal, under which Indonesia took 400,000 tonnes of coal for 150,000 tonnes of cement. The Indonesian electricity utility PLN last week put out a further tender, which is expected to attract Chinese interest.

Countertrade could help push Indonesia's low cost manufactures, where brand names are not known in China. It also conserves foreign exchange and reduces the incidence of payment default, a recent problem *for Japanese suppliers to China.*

Notwithstanding the natural attraction between two low income markets, many observers believe there is considerable scope for high technology cooperation. China is said to have expressed *interest in launching* its Long March rockets from the equatorial jungles of Kalimantan, formerly Borneo. Indonesia's state-run aerospace company IPTN is also keen to sell China various products, including those assembled under licence, including the Super Puma helicopter, made in collaboration with the French company Aerospatiale, and the fixed-wing ch 235, a joint venture with Construcciones Aeronauticas SA. Meeting the terms of the protocol may prove a short-term stumbling block. Though the agreement allowed for Chinese flag carriers to dock at Indonesian ports, it restricts sailors to harbour areas. In practice all freight to date has been handled by Indonesian or third party vessels.

Equally, while Jakarta and Peking — now enjoy a direct satellite communication link, the exchange of representative trade offices, in line with the protocol, are likely to be more controversial.

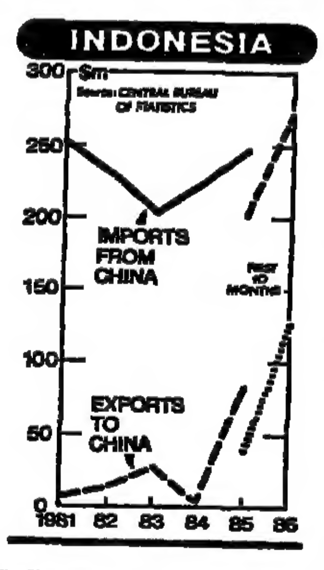
The former Chinese embassy, one of Jakarta's oldest buildings and now under a preservation order, looks set to stand empty for some time to come.

INDONESIA is seeking to increase trade with Vietnam by setting up a possible joint venture with a Japanese company, *Angkatan Bersenjata*, the armed forces newspaper says, John Murray-Brown reports from Jakarta.

This comes despite hostile criticism from Dr Mochtar Kusumaatmadja, Indonesia's Foreign Minister, over Japan's proposed aid programme to Vietnam.

Indonesia is keen to use an aid boycott, to pressure Vietnam to withdraw its 140,000 troops from Kampuchea, but it seems trade is not part of the strategy.

Pantja Niaga, Indonesia's state trading company, has sent a delegation to Hanoi to discuss the venture with Nissho Iwai of Japan, and Vietnamese officials. Another visit is expected next month.



UK moves ahead in defence sales to US

BY DAVID BUCHAN IN WASHINGTON

BRITAIN LAST year overtook Canada as the largest supplier of defence equipment to the US, leading a steady increase in European arms sales to the US for the third successive year.

In the year ending September 1986, the US sold $4.47bn (£2.8bn)-worth of arms to its *European and Canadian allies*, and bought $2.89bn-worth from them, according to figures just released by the US Defence Department.

This ratio indicates a far more even flow in the transatlantic arms trade than the ratio in 1983-4. It reflects the better access to the US defence market created by special US funding for side-by-side testing of American and allied weaponry and for Nato arms collaboration, and by European participation in the Star Wars research programme.

But, just as European arms exporters have come to make *the US their chief focus because* of generally slack business in the Third World, their recent success in the US market is now threatened by protectionist proposals in Congress.

Many legislators want to start reducing the huge US trade deficit by taking action in the defence field, the one big area of US industrial procurement they directly control, even though the US has always had a surplus in defence trade.

British arms exports to the US rose from $597m in 1984-85 to $860m in 1985-86, putting it ahead of Canada, whose sales of defence equipment fell over the same period from $1.2bn to $810m.

The sharpest change was the rise in French arms sales, from $83m in 1984-85 to $257m last year, *making* France the US fourth-largest Allied arms supplier.

The marketing switch to the US has been most *marked in* France, previously a very big arms exporter to developing countries. France is also the only Nato country to sell more arms to the US than it receives.

Barring approval of new protectionist measures, UK arms exports to the US seem set to rise further.

The UK purchase of Boeing Awacs aircraft will have little effect on the balance of US-UK defence trade, except to raise the *overall level* because the deal contains a 150 per cent offset commitment by Boeing.

Balfour Beatty shares £50m China contract

By Nick Garnett

BALFOUR Beatty Power Construction of the UK and Sumitomo Electric Industries in Japan have won a Y12bn (£50m) turnkey contract to supply power lines from China to Hong Kong.

The contract is for the design and construction of an overhead power transmission line between a nuclear power station planned for the Daya Bay area of China to China Light and Power's Hong Kong transmission network.

REVOLUTION AT THE CHEMICALS FACTORY

At Shell Chemicals we've been changing the way we serve our customers.

As sometimes happens with chemical change we've come across a side effect: one man's idea of change is anothers' licence for revolution.

Witness the goings-on at the Shell Chemicals' Carrington plant on the outskirts of Manchester.

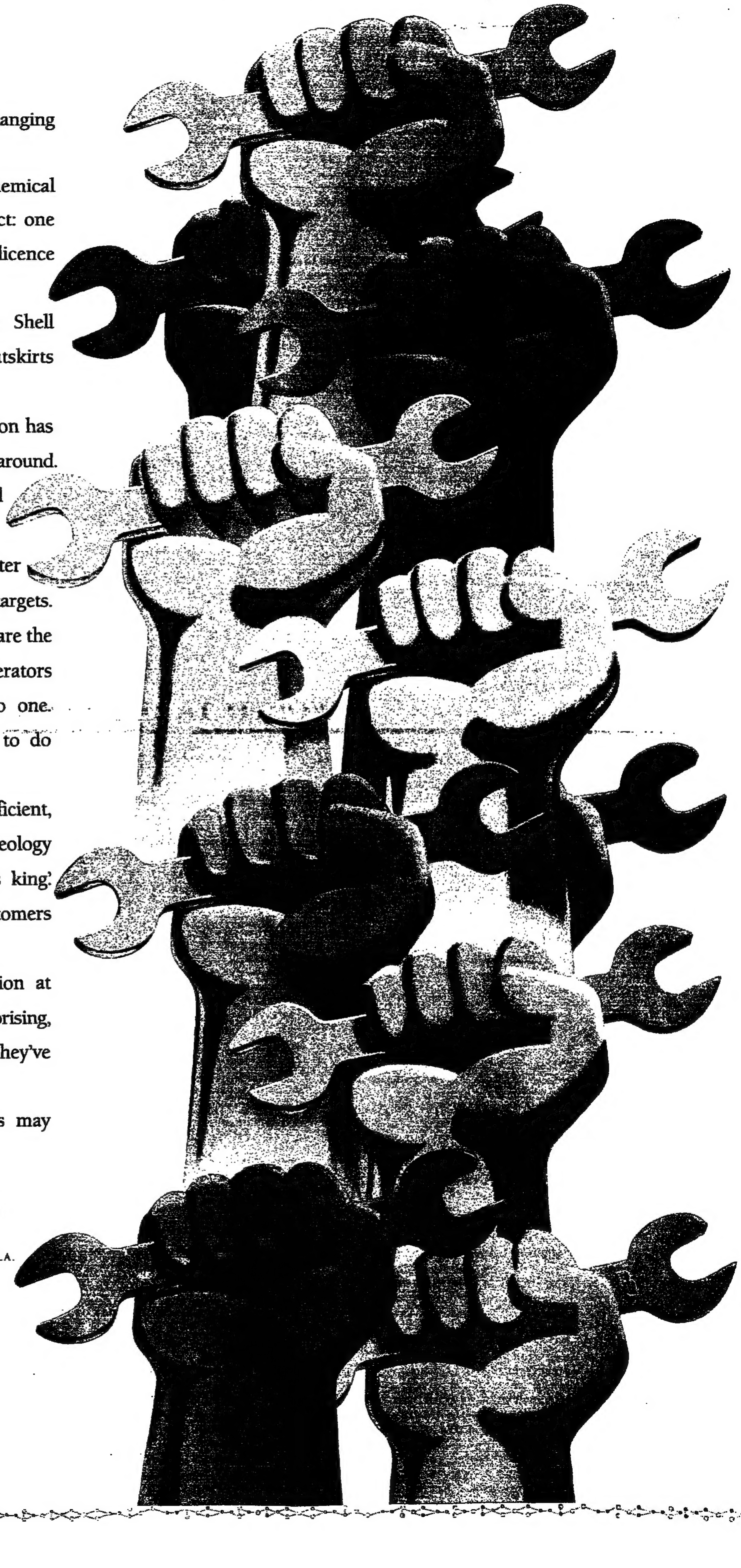
In only eighteen months Carrington has identified its strengths and turned itself around. Unprofitable plants have been weeded out and an investment of £20 million has turned Carrington into a leaner, fitter organisation which meets even higher targets.

In the vanguard of the revolution are the Carrington technicians; foremen, operators and maintenance workers rolled into one. They work as integrated teams able to do each others jobs.

Highly motivated, flexible and efficient, committed to results, they follow an ideology entitled very simply 'the customer is king.' Performance can only improve. Customers please note.

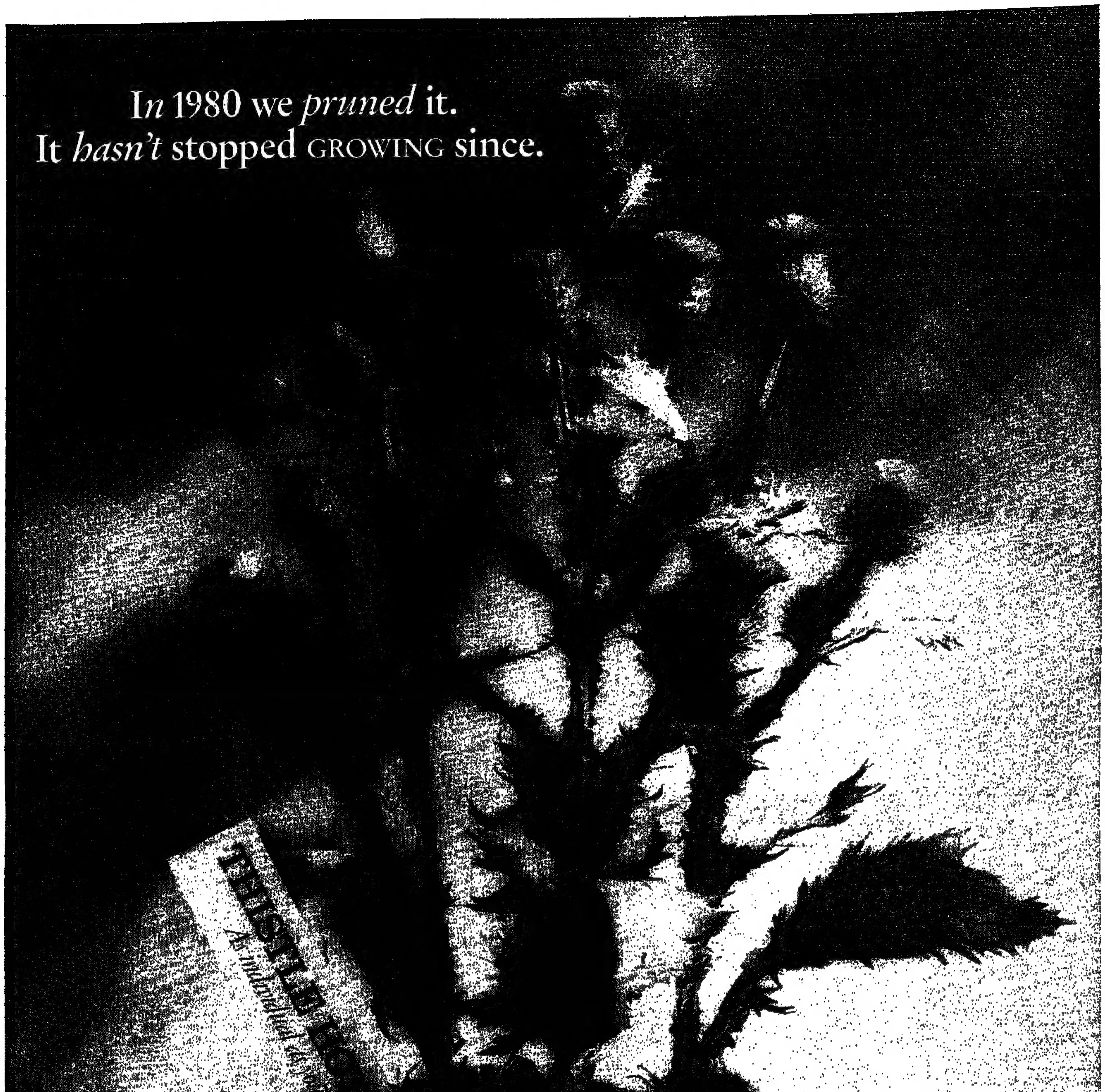
We can reveal that the revolution at Carrington has contributed to another uprising, that of Shell Chemicals UK profits. They've uprisen threefold.

Something only our competitors may find revolting.



Shell Chemicals

SHELL CHEMICALS UK LTD.
1 NORTHUMBERLAND AVENUE, LONDON WC2N 5LA.



Seven years ago, some positive action was necessary.

We owned hotels of too many different types, in too many wrong locations.

So we brought out our corporate secateurs and cut away some old wood.

Out went any hotels we felt couldn't be brought up to a high standard. (To our minds, ideally 4-star.)

Out went some hotels that were too small.

In their place, came five new hotels in central London. (The Royal Trafalgar, the Tower, the Royal Horseguards, the Royal Westminster and the Selfridge.)

In came a massive refurbishment plan.

In came a new corporate ideal: "Our hotels are as individual as you are."

The result? Thistle now has 29 hotels, eight of them in central London.

Last year the group contributed 16% of our operating profit (compared with just over 1% in 1981/82). And this year it was the proud recipient of a Queen's Award for Export Achievement.

Not bad for a company that was all over the place a few years ago.

Scottish & Newcastle

Britain expels 15 more Iran embassy staff

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN YESTERDAY expelled 15 Iranian diplcmats and announced that it was reducing its own diplomatic staff in Tehran to a single representative, who would have a caretaking function only.

The decision also leaves only one Iranian diplomat at the Iranian embassy in London, but a Foreign Office spokesman emphasised that it did not constitute a formal break in diplomatic relations.

The Iranian news agency IRNA had announced earlier in the day that Iran was withdrawing 15 of its 16 remaining diplomatic representatives in London, giving the impression that the latest development in the tit-for-tat row between the two countries was the result of an Iranian initiative.

This version of events, however, was categorically denied by the British spokesman, who said that the Iranian Foreign Ministry had been officially informed last Tuesday that Britain was going to reduce its diplomatic presence to one in Tehran by the end of the month.

The Iranians, in accordance with the principle of reciprocity, were told that they would be required to do the same at their diplomatic mission in London.

The spokesman said that the one official remaining behind at the British embassy in Tehran, 32-year-old Mr Paul Ramsay, a third secretary in the visa department of the British Interest Section in Tehran, would not perform diplomatic, commercial or consular functions.

These functions would be entirely assumed by the protecting power in Tehran. Sweden has looked after Britains interest in Tehran since 1980.

Mr Ramsay's sole task would be to assist the Swedish protecting power in administering "the considerable British estate" in Tehran.

Apart from a large embassy compound in the centre of Tehran, Britain also has a "summer embassy" in the hills to the north of the city.

Asked how the British Government's action would affect the activities of the Iranian Military Procurement Office (IMPOS) in London, the spokesman said that the dispute had been confined to diplomatic and consular representations, but IMPOS's activities were being kept under constant review. However, its staffing would naturally be affected by the fact that no new visas would be issued by Britain.

The present crisis in Anglo-Iranian relations began at the beginning of May when Mr Ahmed Ghassemi, a 29-year-old vice consul in Manchester, in the north west of England, was arrested and charged with shoplifting. After failing to reappear in court, police officers re-arrested him after a car chase and scuffle on May 28.

On the same day Mr Edward Chaplin, 36-year-old First Secretary in the British Interests Section in Tehran was violently abducted, but released the same day. It was these two events which sparked off the subsequent series of diplomatic expulsions and recriminations.

Clash at Rover meeting

BY OUR MOTOR INDUSTRY CORRESPONDENT

MR GRAHAM DAY, chairman of the state-owned Rover Group, yesterday shrugged off angry scenes at the annual meeting during which he was involved in a shouting match with one shareholder, who called on him to resign.

After a further £680m cash injection from the Government to cover the debts of the commercial vehicle operations, now sold, Rover reduced its operating loss in the same period last year, Mr Day said.

He was confident that the group's "good progress" would be demonstrated when the half-year results are published in August.

All the group's businesses were contributing to the improving performance. In particular, export-led demand has led Austin Rover, the car and light van subsidiary, to raise production by 20 per cent recently to an annual rate of over 520,000 and to take on an additional 600 employees.

Unemployment figure shows record fall to below 3m

BY JANET BUSH

THE GOVERNMENT'S official unemployment total recorded its largest ever fall last month, taking it below the key 3m mark for the first time since July 1984.

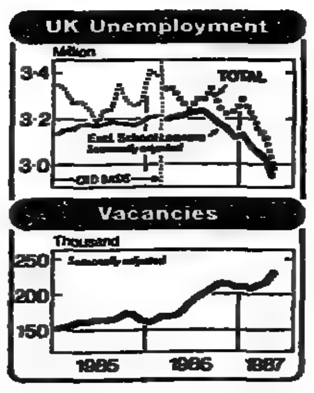
This was the 11th consecutive monthly decline and Employment Department officials hailed the figures as proof of the buoyancy of the economy. They said the figures could not be put down entirely to the Government's special employment measures.

Mr Norman Fowler, the newly-appointed Secretary of State for Employment, said it was particularly encouraging that unemployment was falling in all parts of Britain, but warned against complacency. "We still have a long way to go. Our aim will continue to be to help those out of a job back to work," he said.

All regions saw a decline in their jobless totals last month except for Northern Ireland, which lost another 300 jobs taking its unemployment rate to 18.4 per cent.

The seasonally-adjusted total of those eligible for benefit, excluding school leavers, fell 64,300 in May to a total of 2.954m. This was the largest monthly drop since 1971 when the current series of data started, but Employment Department officials said the minimal differences between the series of figures used now and before 1971 meant the decline was probably the largest in any month since 1948.

The unadjusted total, which includes school leavers, fell 120,675 last month to 2.986m. In a record-setting month, this was the largest monthly and 12-monthly fall since 1948. The last time this measure of unemployment was below 3m was in June 1983.



Mr Fowler yesterday met the same barrage of criticism from opposition parties and employment pressure groups as his predecessor Lord Young faced during his time at the Employment Department.

Mr John Prescott, Labour's shadow Employment Secretary, said the figures had fallen because of "the record number of part-time, low-pay schemes, the new work-for-dole Job Training Scheme and the Restart programme" rather than the creation of real jobs.

He said real unemployment was still rising and challenged the Government to adopt "internationally acceptable standards" in the monthly unemployment count to show the number of people out of work rather than those claiming benefit.

Mr Jon Shields, director of the Employment Institute, said the monthly unemployment figures had become increasingly meaningless and Mr Fowler's first task should be to order an inquiry into the figures. He said 200,000 people had been spirited off the count over the past year by administrative and statistical changes or by the Government's job programmes.

Mr Fowler said all regions had seen above-average falls in long-term unemployment. The department's figures suggest the number of those out-of-work for more than one year had fallen by 61,000 over the past year.

Manufacturing industry is still shedding jobs despite the marked recovery in output over the past year, but the rate at which jobs are being lost has slowed down. However, the hours of overtime worked in manufacturing industry totalled 12.5m a week in April, the highest since June 1980.

Clearly, jobs are still being lost, but those in employment are working harder and earning more – the underlying rate of increase in average earnings rose to 7¾ per cent in the year to April, up from 7½ per cent recorded in every month but two since September 1985.

Another record published yesterday was for vacancies at job centres.

The department said the employed labour force totalled 24.1m in the final three months of 1986. The Government says it has created more than 1m jobs since 1983.

GE agrees scanner royalties

BY DAVID FISHLOCK, SCIENCE EDITOR

GENERAL ELECTRIC of the US has agreed to pay the British Technology Group several million dollars in royalties on sales of advanced medical scanners, made over the past two years.

The move, which will substantially boost the UK technology transfer agency's revenues, follows its intensive campaign to defend British patents it believed were being infringed overseas.

BTG said the deal was one of the most substantial struck by the group. It would now seek royalty payments from Toshiba in Japan, Diasonics in the US, Siemens in West Germany and Philips in the Netherlands.

Together with licences already negotiated for the technology, deals with these four companies could bring BTG royalties from more than two thirds of the international market.

General Electric is the biggest-selling maker of the nuclear magnetic resonance (NMR) scanners to hospitals and clinics, controlling about 25 per cent of the market. So far it has sold more than 200 scanners, which cost about £1m each.

Mr Ian Harvey, BTG's chief executive, said the deal with GE was the result of a decision two years ago to spend heavily on litigation to defend British patents. These costs are estimated so far at £1.3m.

Last December, the group reached an out-of-court settlement with Johnson and Johnson, the US health care group, on royalties on its use of NMR patents.

The NMR Scanning system has developed rapidly to become an important diagnostic tool in medicine, able to identify disease deep inside the body.

BTG will re-invest its NMR royalties partly in the university research groups at Nottingham, Aberdeen and Oxford universities, source of its portfolio of 16 patents.

New team takes over at trade department

By Hazel Duffy

DETAILS of sector responsibilities at the Department of Trade and Industry (DTI) were finalised yesterday. They show a new structure to that which has operated in the department since 1984, when trade and industry were merged.

Gone is the special minister for technology job, held by Mr Geoffrey Pattie until his resignation from the department earlier this week.

Responsibility for technology and research and development policy in the DTI will now be shared by Lord Young, Secretary of State, and his minister and spokesman in the House of Commons, Mr Kenneth Clarke, who is also Chancellor of the Duchy of Lancaster.

Lord Young, with overall responsibility for the department has also taken specific policy responsibility for the City of London, competition policy and trade. Mr Alan Clark continues as minister for trade. Mr Francis Maude, one of two new parliamentary under-secretaries appointed to the department, will look after corporate and consumer affairs.

The electronics sector, including information technology, telecommunications, and electronics applications, will be shared between Lord Young and Mr Clarke.

General research and development (R&D) policy is the Secretary of State's responsibilty, while R&D policy in the European Community – where the successor to the Esprit programme is the most immediate issue to be sorted out – falls to Mr Clarke.

Mr John Butcher, parliamentary under-secretary, and with Mr Clark the only surviving members of the former team, will deputise on these sectors.

Lord Young is to take specific responsibility for the vehicle industry, emphasising the continuing importance of the Rover group to the department. Otherwise, Mr Clarke oversees manufacturing industry.

In this, and in regional policy, and the priority area of inner cities a responsibility which he brought him from the Employment Department – he will be assisted by Mr Robert Atkins, the other new parliamentary under-secretary.

Bond market reacts badly to continuing bank lending surge

BY JANET BUSH

THE UK government bond market reacted badly yesterday to figures showing a continuing surge in bank lending and a rise in the rate of average earnings growth, both of which could hold dangers of higher inflation.

Against the background of a fast-growing economy and falling unemployment, signs of higher wages and buoyant demand for credit suggests that there is little justification for further falls in interest rates.

It was this perception which pushed prices of government stocks (gilts) more than one point lower yesterday.

Yesterday's money supply figures showed bank lending had jumped by a seasonally adjusted £2.7bn in May compared with forecasts of a £2bn increase and April's £1.5bn rise.

Although May's increase was in line with the average of £2.6bn a month over the last six months, the gilt market was still disappointed amid hopes that April's lower growth presaged a more subdued trend.

The Banking Information Service said yesterday that lending by clearing (retail) banks alone had risen by an underlying, seasonally adjusted £3.5bn in May compared with £1.3bn in April.

It said the surge in borrowing was prompted by recent falls in bank base rates and was widely spread across sectors.

Lending for house purchase and general consumption were particularly buoyant, prompting concern about the inflationary dangers inherent in surging asset prices and a high-spending personal sector.

Gilt's negative reaction to this was reinforced by the rise in the underlying rate of average earnings growth in the year to April, published yesterday by the Employment Department. This rose to 7¾ per cent from 7½ per cent in every month but two since September 1985. Department officials said the rise reflected a high level of economic activity.

The Bank of England's figures showed that narrow money supply, M0, consisting mostly of notes and coins in circulation, has risen by a provisional, seasonally adjusted 0.5 per cent in May after a 0.4 per cent rise in April.

This gave a year-on-year growth rate of 4.4 per cent, near the middle of the Government's target range. The annual rate had risen sharply to 5.3 per cent in April, but the Bank said this was erratically high because of the timing of Easter and May's rate was more representative of the real trend.

Broad money, M3, rose 2.1 per cent in May after a 1.9 per cent increase in April.

Slow expansion trend in ethnic businesses

BY CHARLES BATCHELOR

A GROWING number of Britain's Asian and Afro-Caribbean businessmen have built up sizable businesses though few seem ready to move out of their own niche markets in the ethnic community into the mainstream market, according to a report published yesterday.

Many ethnic minority businessmen have adopted a cautious approach to expanding their companies – growing slowly and borrowing only from family members and partners – but this caution is now hindering further growth, the report said.

It looks at 25 businesses – 19 run by people of Asian origin and six by Afro-Caribbeans – in what is claimed to be the first study of established minority businesses. Fifteen of the companies had turnover of more than £1m a year while half of these had annual sales of more than £5m.

In the early stage of these businesses their owners' knowledge of their customers' preferences and buying behaviour was an advantage in the ethnic markets they served, but as the companies grew the ethnic factor emerged as a disadvantage.

Growth Strategies in Minority Enterprises, Peter Wilson, Small Business Research Trust, 105 pages, £15.55

UK NEWS

Grade wins top job at BBC television

By Raymond Snoddy

MR MICHAEL GRADE, the BBC executive credited with transforming the Corporation's performance in the ratings battle with Independent TV, was yesterday chosen for the top job in BBC television.

Mr Grade, the present director of programmes at BBC television, will become managing director of Network Television when Mr Bill Cotton reaches the normal BBC retirement age of 60 in April.

The job will give Mr Grade, who is 44, day-to-day control of BBC1 and BBC2.

Since Mr Grade returned from the US to join the BBC in 1984 the Corporation's share of the television audience has moved from the low 40s to between 47 per cent and 48 per cent.

The Grade appointment was one of a series of top management changes announced yesterday by Mr Michael Checkland, Director-General of the BBC, after they had been confirmed by the Board of Governors.

Mr David Hatch is to become managing director of National Network radio. Mr Geraint Stanley Jones is to take on the new post of managing director for regional broadcasting, radio and television.

Dr Colin Morris, a former president of the Methodist Conference and special advisor to the Director General, will become Controller for Northern Ireland on the retirement of Mr James Hawthorne.

GM closes engineering division in Britain

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS of the US has put up for sale its UK engineering centre at Luton, north of London, one of the best-equipped in Europe, plus the nearby Millbrook, Bedfordshire, test track with 600 engineers and other highly qualified employees.

The group says it hopes the sale will secure the future of the facilities and the jobs which have been under threat since GM decided to stop medium and heavy Bedford truck production for Europe at the end of last year.

It has given a warning to employees that, in the last resort, the centre and test track – in which it has invested £15m in the past four years – will have to close, a move which deals another devastating blow to Britain's automotive engineering capability.

However, a market research project among 100 companies in eight countries showed that there was clear potential for the sale of the comprehensive engineering "package" and already there have been a number of inquiries.

GM has asked interested parties to make proposals by the end of this month. It would not give any hint about potential buyers but executives from Volvo Truck Corporation of Sweden have been frequent recent visitors and Volvo recently set up a car engineering facility in Britain.

The engineering centre at Luton can cope with design and development of vehicles from the smallest cars (in Europe GM owns Vauxhall in the UK and Opel in West Germany) to heavy off-road trucks and includes a component testing area.

The Millbrook test track, 18 miles from Luton on a 700-acre site, has a two-mile, circular, high-speed test track, various test road surfaces and a recently installed cross-country course for heavy all-wheel-drive vehicles as well as component testing equipment and an emissions testing facility.

Opel for some years has been responsible for most of GM's car engineering and development work in Europe. The demise of Bedford's heavy truck operations and the sale of GM's heavy truck business in the US to a joint company controlled by Volvo, has removed much of the UK engineering centre's work.

"We are looking for a way of keeping the facilities and the jobs as far as possible as they are at present, possibly by sale or by joint venture arrangements," the group said yesterday.

Lucas shift on pay bargaining

BY JIMMY BURNS, LABOUR STAFF

LUCAS INDUSTRIES, the automotive aerospace and industrial components group, has initialled an agreement with its unions on the break-up of national pay bargaining covering about 15,000 white-collar staff.

At the same time the group is continuing negotiations to harmonise the terms and conditions of its white-collar staff with those of its 30,000 manual workers.

The moves apply to all the group's operations with the exception of vehicle lighting. The acquisition of this by Fiat, the Italian automotive group, was announced on Wednesday.

The aim of the restructuring is greater flexibility for the group, which faces different market conditions in its various divisions. The company said a decentralisation of pay bargaining was designed to make the group more competitive.

Lucas first signalled its intention to end national-level pay bargaining, as favoured by some senior Government ministers, last December. Since then it has faced considerable opposition from the unions, which have accused the company of trying to introduce Japanese-style industrial relations.

Bonus loss penalty for Telecom workers

By David Thomas

BRITISH Telecom has refused to pay its workers any money under its employee profit-sharing scheme for its last financial year because of the industrial action taken by its engineers and clerical staff in January and February.

Sir George Jefferson, BT chairman, announced the move as he reported pre-tax profits up 11.7 per cent at £2.07bn on sales of £9.42bn for the year ending March 1987.

The decision, believed to be the first time a company has dropped a profit-sharing payout because of industrial action by its workers, reflects the tougher industrial relations line taken by BT since the liberalisation of UK telecommunications. It affects all BT's workers, whether or not they took industrial action.

It comes as the company is planning to shed 5,000 jobs in its core network this year and then to accelerate the rate of job loss as its modernisation programme bears fruit.

BT paid out £18m in the form of shares to its 230,000 employees under the profit-sharing scheme in 1985-86, its first year of operation. Payments, which were made in the form of BT shares and related to grade, varied from £80 for the lowest grade to £180 at the top.

Sir George said the board had decided against a payment for 1986-87 because "it would be very difficult for customers to understand us supporting a continuation of the scheme this year."

Glaxo share price falls on threat to Zantac ulcer drug

BY TONY JACKSON

GLAXO, the UK's biggest drug company, suffered a sharp fall in its share price yesterday after the publication of medical evidence which seemed to pose a threat to Zantac, the group's ulcer treatment which is the world's biggest-selling prescription drug.

The latest issue of The New England Journal of Medicine, a leading US medical publication, published evidence suggesting that stomach ulcers are a bacterial infection caused by bacteria known as *Campylobacter pylori*. This was seen as casting doubt on ulcer drugs of Zantac's type, which do not attack these bacteria.

C pylori has been known for many years to be present in the stomach wall of most ulcer sufferers. Most scientific opinion has so far held that the bacteria are opportunistic, arriving after the ulcer has formed rather than causing it.

The New England Journal reports a study of 71 children in Toronto, in which the bacteria were found only in children suffering from primary gastritis with no known cause. Although the journal concedes that the causal link is not proven, it draws attention to another study in which a volunteer swallowed *C pylori* and developed ulcers within 10 days.

The threat to Zantac and similar drugs such as SmithKline's Tagamet – known as H2 antagonists – lies in the suggestion that the bacteria could be simply treated with cheaper antibiotics.

Robert Fleming, the London investment bank, said: "We feel this is going to be an increasingly important factor in physicians' perceptions of ulcer therapy over the next two or three years."

Glaxo challenged the importance of the findings, saying "the articles continue the debate on the significance of *Campylobacter pylori*, but add nothing new. In the opinion of most authorities, the principal factors producing ulceration are pepsin and acid. There is no convincing evidence that antibacterials promote ulcer healing."

Glaxo's shares, down more than 80p at one point, closed £¾ lower at £14¼.

Pit job cuts denied

BY CHARLES LEADBEATER

BRITISH COAL yesterday denied accusations that it planned to cut 2,000 jobs in the North Derbyshire coalfield over the next two years.

Officials of Nacods, the mines deputies' union, said the corporation had outlined the plan at a meeting on Wednesday to review the performance of the 12 pits in the Central coalfield, which covers North Derbyshire and the South Midlands.

About 13,200 miners are employed in the Central coalfield, with about 7,000 in North Derbyshire.

British Coal said that no pit closures or job losses had been discussed at the review meeting. Local meetings were being arranged to discuss the poor performance of two North Derbyshire pits.

The corporation denied suggestions that it had fixed a closure date for Renishaw Park colliery, and a section of the Markham colliery. It has not changed its plan to close the Awkright colliery next summer.

RTZ Oil appeal for tax relief dismissed

By Max Wilkinson, Resources Editor

RTZ Oil and Gas, subsidiary of Rio Tinto-Zinc, the mining group, yesterday failed to obtain a High Court ruling that it was entitled to corporation tax relief against financial provisions for the cost of dismantling oil platforms.

Mr Justice Vinelott dismissed an appeal by the company against a decision by the tax commissioners that the provisions should be treated for tax purposes as a capital rather than as a revenue expenditure.

All the major oil companies operating in the North Sea make provisions for the eventual abandonment of oil and gas platforms, which they will be obliged to remove when their useful lives are over.

The total cost of removing all structures from the UK sector of the North Sea has been estimated at about £6bn. Oil companies would expect to obtain offsets against Petroleum Revenue Tax and royalty payments when the cash is actually spent, but the industry has accepted hitherto that the provisions could not be set against corporation tax liability.

There was little surprise in the industry, therefore, that RTZ's test case failed although success would have been welcomed at a time when oil production revenues are under pressure and exploration has been scaled back.

RTZ brought the case in relation to abandonment of its platform in the Argyll field for which it has made an annual provision of £750,000.

The judge said that, since the platform was a capital asset, any expenditure for dismantling it would be a capital outlay.

Lloyd's to decide on help for PCW

By Nick Bunker

LLOYD'S of London has to decide today whether or not to declare unconditional its offer to help 1,547 members of the former PCW syndicates meet their net insurance losses estimated at £235m.

There were signs yesterday that Lloyd's would succeed in securing acceptance of the offer from the overwhelming majority of PCW members ("Names"), but that a group of up to 30 or 40 would refuse to settle on its terms.

The PCW 1985 Committee – which represents 450 Names – has bitterly criticised the offer, because it believes the losses arose directly from a massive fraud of which the Names were the victims.

Close-of-business this afternoon is the official deadline for PCW Names to accept the settlement deal, which requires the 1,547 hardest-hit to contribute £34m between them to a fund of £134m needed to provide against the syndicates' losses over the next 20 years.

The remainder of the money will be provided by the Society of Lloyd's as a whole, and by contributions from 37 other parties including Sedgwick Group, Minet Holdings and Alexander & Alexander, the insurance brokers.

Lloyd's needs 90 per cent of the PCW Names to accept the offer if it is to be unconditional, although this threshold can be reduced with the consent of Additional Underwriting Agencies Number Three (AUA3), a caretaker body set up to manage the syndicates two years ago.

Lloyd's is understood to be meeting AUA3 this morning to review the level to acceptances so far. Both Lloyd's and AUA3 appeared optimistic yesterday that the 90 per cent target would be reached, after a rush of acceptances in the past few days.

Some of the most intransigent PCW Names made it clear yesterday, however, that they regarded today's deadline and the 90 per cent figure as an irrelevance.

"Lloyd's was always going to get its 90 per cent because of the way the offer was constructed," said one PCW Name who has decided not to settle now and may sue Lloyd's.

He said that Lloyd's own figures showed that the terms of the offer meant that just 13 per cent of the 1,547 Names would have to meet 55 per cent of the £34m.

Emergency issue for troubled newspaper

BY RAYMOND SNODDY

WORK BEGAN again yesterday on producing an issue of the News on Sunday for this week despite the fact the left-of-centre newspaper is in receivership.

Journalists went back to work after being promised that they would be paid next Tuesday by Growfar, the off-the-shelf company set up to buy the assets from the receiver.

The aim is to produce an emergency 36-page black and white paper without a colour section to maintain the continuity of the title.

It is believed that Mr Owen Oyston, the Lancashire businessman who is trying to put together a financial package to keep the paper alive, has managed to get a licence to use the company's assets to maintain production.

If Grofar can reach agreement to buy News on Sunday from the receiver, both Mr Oyston and the Transport and General Workers' Union, original shareholders in the venture, will each put in an immediate £500,000.

Existing shareholders, mainly local authority pension funds and trade unions, would have 25 per cent of the new company. Mr Oyston and his family would hold 37.5 per cent and the TGWU the remaining 37.5 per cent.

A recent business plan produced by Mr Roy Barber, the News on Sunday chief executive who resigned on Tuesday, envisaged that new investment of £5m would be needed to give the paper a chance to succeed. The figure included £2m for a re-launch in September.

Mr Oyston, who is working on a new business plan for the Manchester-based paper in a suite in the London Hilton Hotel, could not be contacted yesterday. The company said: "Negotiations are continuing."

Sales dropped to 203,000 last week and with distributors still owed money, it is not clear how easy it will be to get the paper out this week.

Issues such whether the 280 staff will be kept on and whether severance money will be paid have yet to be resolved.

Sir Christopher Hogg, Courtaulds chairman, with the company's C-Mark

Courtaulds launches identity mark

BY CHRISTOPHER LORENZ

UNDER the slogan "Courtaulds is changing," Sir Christopher Hogg, chairman of the British textiles and chemicals group, yesterday launched the "C-Mark" – a new visual identity for use in both external and internal communications.

Claiming that the identity reflected the "market-led philosophy" which had been injected into all Courtaulds activities in recent years, Sir Christopher said he wanted it to be a brand, like Rolls-Royce or Marks and Spencer's St Michael, which would signify to all those who dealt with Courtaulds that they could expect high standards of quality, service, and competence.

The identity is intended to be more than just a logo. Consultants who have been working on it since August 1985 discovered in their researches that Courtaulds' corporate image – not only with customers, but also among its own employees – had failed to keep pace with the radical changes in its culture, structure and performance which have been wrought under Sir Christopher's eight-year leadership.

The group was still perceived as narrowly based on fibres and textiles and as production-led and old-fashioned, whereas in reality it had developed a diversity of prosperous businesses and had become much more innovative, as well as closer to its customers.

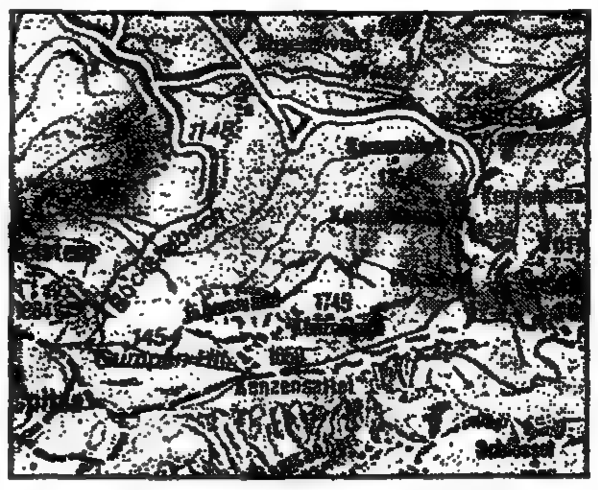
In other words, Courtaulds' ability to communicate had lagged badly behind its increased professionalism.

A video explaining the new communications and identity programme is being shown to all Courtaulds employees, each of whom has also been sent a brochure, "Now Courtaulds is changing... first the reality, now the identity."

WHY HAD THE ENGINEERS AT AUDI PRODUCED A QUATTRO VERSION OF THE 80?

FIXING US WITH AN ICY STARE, THEY REPLIED, "KENZENKOPF, DIENSTHÜTTE SCHWARZAU UND ARCHENKOPF."

WRESTLING WITH our limited technical German, we hopefully posed, "That would be the archenkopf behind the front suspension bracket?"



THERE THEN followed a noise like a car backfiring. Unfortunately, it was the reply to our question.

"ARCHENKOPF is a place."

WE MENTALLY inserted the word 'Dummkopf' ourselves, at the end of this statement.

"AH, THAT Archenkopf."

"IN CERTAIN areas of Germany," they continued more patiently, *"the snows lie on the ground for over six months of the year. Add to this the fact that there are thousands of miles of mountain road in Germany, we're the only European country with no speed limits on our autobahns, and the logic of a quattro 80 becomes impeccable."*

AS IMPECCABLE as the Audi engineers' English accents, in fact. You have to appreciate that the particular Audi engineers we were talking to possess some of the foremost technical minds in the world.

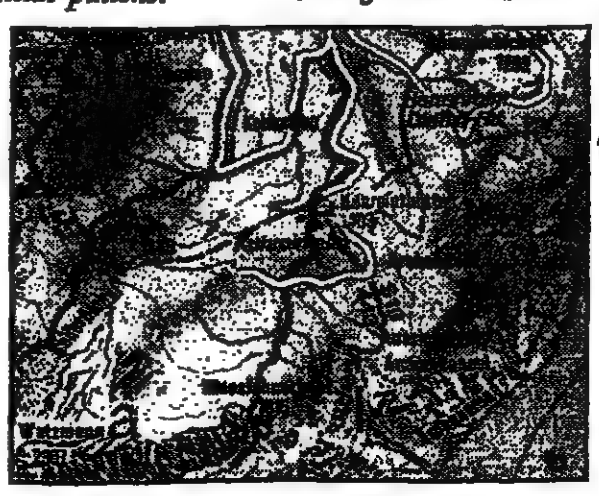
HOWEVER, THEY were obliging enough to change down an intellectual gear or two, for our benefit.

"IN 1980, when we introduced the quattro system, it was a feature unique to on-road cars. We then demonstrated its effectiveness both on the rally circuit and on the road. Now, less than eight years later, most of the world's major manufacturers have adopted a version of it."

WE, HOPEFULLY, adopted expressions of genuine admiration.

"SO WHAT makes the Audi 80 quattro system so different?" In retrospect, a foolhardy question.

"AH," (registration of extreme delight on Audi engineer's face) *"the 80 quattro uses a Torsen differential. This employs worm gearing instead of the usual bevel-type differential pinions."*



THEY SEEMED to have completely forgotten that we were the simple folk who thought Archenkopf was a suspension bracket. The mental gear-changing now went up.

SECOND.

"THE TORSEN differential is able to automatically regulate the torque distribution. The basic geometric arrangement of the centre differential, with an equal torque split, is retained."

THIRD.

"THE NORMAL torque distribution between front and rear, determined by the design, can be varied by the Torsen differential."

FOURTH.

"IT FEEDS torque to the slower turning pair of wheels with the least amount of slip under acceleration, or the pair of wheels following a smaller radius in a corner, or those with the larger dynamic rolling radius."

WE ATTEMPTED to apply the brakes.

"HOW DOES this affect the handling characteristics?"

THEY SUDDENLY seemed to remember who they were talking to, and adopted the benevolent expression of a father gently explaining to his son the merits of not running onto a busy road without looking.

"WELL, SIMPLY, it's more suitable for high performance cars, and more compatible with ABS than some of our rivals' systems."

TO BE frank, the tone of their reply didn't seem to invite the question "Which rivals?"

"HOWEVER, IT'S also possible to relate other factors of the German environment to the development of the 80 quattro.

"FOR EXAMPLE, we have more miles of autobahns than any other European country and no speed limits, so the thinking behind the 80's excellent drag factor of 0.29 becomes clear.

"WE SPENT over 2,500 hours in a wind tunnel to achieve this."

WE ASSUMED the 'we' referred to the cars, although they were all of considerably sleek appearance.

Audi

"AND OF course, there's the German weather, and the amount of salt our countrymen like to lavish on the roads during winter. So we gave the Audi 80 a fully galvanised body. Galvanised steel is approximately ten times more resistant to rust than ordinary steel.

"BUT THEN every detail of the 80 has been studied, from the grade of steel used on the boot lock key, to how the windscreen wipers might affect a pedestrian in the event of an accident."

"IN OTHER words," we offered, "everything has been subjected to 'Vorsprung durch Technik.'"

"VERY GOOD, you understand our philosophy precisely."

MERE WORDS cannot describe our elation at this point...

DER AUDI 80. VORSPRUNG DURCH TECHNIK.

THE NEW AUDI 80 STARTS FROM UNDER £10,000. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TELEPHONE: (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER STREET, LONDON W1M 1FB. TELEPHONE: 01-486 84

UK NEWS

Manufacturing output up, but recovery slows

BY RALPH ATKINS

BRITISH MANUFACTURING output edged higher in the three months to April after a sluggish start to the year. But the pace of recovery has slowed since the second half of last year.

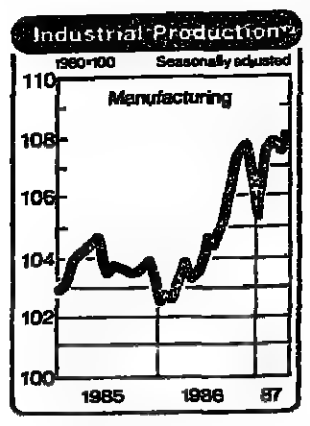
Figures yesterday from the Central Statistical Office (CSO) showed manufacturing industry produced 1 per cent more in the three months to April than in the previous three months and 4.5 per cent more than in the same period last year.

CSO statisticians said this 12-month rate of increase was a fair indicator of the underlying trend of manufacturing output growth.

However, manufacturing output is still 1.9 per cent lower than in 1979 when Mrs Thatcher's Government was first elected.

In the second half of 1986, manufacturing industry was helped by a substantial fall in the value of the pound. This boosted companies' exports and gave a competitive advantage in the domestic market.

Since the beginning of 1987, however, sterling's rise has been eroding these advantages, and this could explain the slowdown in output growth.



Because there is a lag between exchange rate movements and export patterns, it appears likely output growth will slow further in the second half of 1987.

The CSO's figures show that manufacturing industry produced 16.3 per cent more in the three months to April than in the first quarter of 1981 – when output hit a trough.

The CSO said that the first quarter of 1987 had been affected by exceptionally bad weather in January that was not properly compensated for in seasonal adjustments.

For all production industries, including energy and water, the three months to April saw a 1.5 per cent increase on the previous three months. However, the increase since the same period in 1986 was only 2.5 per cent.

The relatively slow increase in the energy sector in April was because of depressed gas and electricity output although activity in oil companies was high.

Within manufacturing industry, output in the three months to April increased most in metal industries, which saw a 4.6 per cent increase compared with the previous three months. There were also relatively large increases in the chemicals and minerals sectors.

The index of output for all production industries stood at 112.6 (1980=100) in April and that for manufacturing industry at 108.1 (1980=100).

State-run industries 'must justify existence'

By Michael Donne, Aerospace Correspondent

STATE-OWNED industries should be required to justify their continuation in the public sector, rather than the Government itself deciding to return them to private ownership.

Lord King, chairman of the recently successfully privatised British Airways, told the Institute of Directors in London last night that he was inclined to be of the "sell the lot" school of thought.

"I would place the onus of justification on those who wish to retain a particular asset in the public sector rather than on those who wish to sell it."

Lord King declared that privatisation was not an end in itself, but a means to better ways of working and to higher standards of living. "It is a means of re-establishing capitalism – people's capitalism," he said.

Pointing out that airports, water and electricity were the only industries proposed by the Government for the next candidates for the private sector, he said he hoped to see coal and steel move higher on the list.

"I would also look closely at the two huge public services – education and the National Health Service.

"The principle of free schooling and medicine are sacrosanct, but their cost to the nation is huge and it is imperative that we secure for the taxpayer the maximum value for his money.

"At present those two departments account for 40 per cent of total annual Government spending. I am confident that an extension of the private sector involvement in the running of constituent parts of these services could produce significant savings without a fall in standards."

Canary Wharf fails to connect

Paul Cheeseright looks at the hold-ups affecting Europe's biggest commercial property development

PREPARATORY work on the construction of the biggest commercial *property development in Europe is* nearly complete.

The difficulty with this statement about Canary Wharf on the Isle of Dogs in London's Docklands is that it has been true for six months. Ever since Christmas, deadlines that have proved not to be deadlines have come and gone. Still the developers and the London Docklands Development Corporation have not signed the master building agreement that would end preparation and start construction.

Now there is another – June 22 – for the placing of the contracts for the upgrading and extension of the Docklands Light Railway, one of the main land links between the putative new financial centre at Canary Wharf and the City of London itself.

As Mr Cliff Bonnett, the managing director of Docklands Light Railway, put it: "No building, no railway. No railway, no building."

There are a number of different strands here in the planning and eventual execution of Canary Wharf and a host of players in the development minuet.

The Canary Wharf Development Company is the company set up to act for the European and US banks behind the scheme. This company sees the extension of the Docklands Light Railway into the heart of the City as a *sine qua non* of the scheme.

But the transport people will not go ahead with the railway unless Canary Wharf itself goes ahead. That is, until the funding agree*ment for the railway is signed* and the Master Building Agreement is signed.

Everything is interlinked, but the heart of the matter is the master building agreement. It is the contract which sets down the obligations of the players in the development of Canary Wharf. It would cover the provision of the infrastructure on the site – roads, power, telecommunications and so on – and the building of the first phase.

The first phase of the development involves the provision of 5m sq feet of office space, shops, public areas and covered car parking at a cost of £1.8bn.

In reaching the point of signing this contract, there have been broadly three levels of negotiations:

- The first involves the sponsors inside Canary Wharf Development. They have to decide not only on their own requirements in the buildings, but also how they arrange their own financial responsibilities and how they put up the front-end money.
- The second and central negotiation is the one between Canary Wharf Development and the London Docklands Development Corporation. It covers the conditions *for the development* and the title to the land.
- The final negotiation is between the Docklands corporation and the government departments involved – environment which supervises the corporation, and transport because of the road and rail links.

What is at issue here is not whether Canary Wharf *should* go ahead, but how it should go ahead, and there seem to have been three factors in holding up agreement.

The first is that the members of Canary Wharf Development have had difficulty in settling their own contributions to the infrastructure work which will cost around £200m.

The second is that Canary Wharf Development would like to see Savills, Richard Ellis and Fletcher King, the letting agents, sign up or at least be near to signing up more tenants so that there is greater security for its investment. No company, other than the original sponsors, has so far put pen to paper, though negotiations are said to be advanced.

The third is the sheer complexity of the whole business, bringing the different interests to the starting block at the same time.

At the moment the Docklands corporation and Canary Wharf Development are being intentionally vague about the immediate prospects. "It's our intention to sign as soon as possible," said Mr Jeremy Priestley of the company. "June 22 is not the be all and end all for the Docklands Light Railway or the master building agreement," said the corporation.

So it is back to June 22 again. The Government has made it clear that work on the extension of the light railway from the edge of the City to the Bank of England and the upgrading of the existing line to carry more people does not start – London Regional Transport cannot sign the contracts – until both the master building agreement and a funding agreement for the railway are signed simultaneously.

The funding agreement is evidently ready and that involves the spending of £95m and a contribution by Canary Wharf Develoment of £45m.

But it had been expected that all the agreements would be signed by the end of May. When they were not it was decided that the validity of the tenders put in by the contractors, primarily Edmund Nuttall, would be extended to June 22. In the meantime the contractors, with*out formal contracts, could start* preliminary work.

European managers 'need to work harder'

BY CHARLES LEADBEATER, LABOUR STAFF

EUROPEAN managers should renounce half their holiday entitlement, work on Saturday mornings and take no more than half an hour for lunch in a 10-hour working day to instil the work ethic in their workforces, European personnel managers were told yesterday.

Dr Jean-Pierre Lehmann of the Euro Asia Centre at Insead, the French business school, told the European Association of Personnel Managers that managers should have about two weeks holiday a year. He said this sacrifice was essential for managers attempting to lead their workers towards higher productivity and greater commitment to work.

Dr Lehmann dismissed suggestions that such an increase in working time would damage familiy life. "Managers can still enjoy a very good Saturday afternoon and Sunday with the family. Just as practising the work ethic might rub off on employees, so it should also have an impact on children," he said.

Dr Lehmann, drawing on extensive experience of Japan, South Korea and other Pacific Rim countries warned that, unless managers were seen to be working long and hard, Europe would fall further behind competitors.

Mr Joaquin Marcellan, human resources director of Productos Pepsico, Spain, warned the assembled personnel managers that profit-sharing was often ineffective in raising performance as the reward was so distant from employees' efforts. He advised them to adopt "gainsharing" systems to promote motivation, in which bonuses were based on some direct measure of workers' productivity.

Mr Marcellan also said that quality bonuses paid to groups of workers were often ineffective in improving performance, especially when they were imposed on top of other performance bonuses.

"It is difficult to determine who in the group is responsible for quality, and if there are two incentive bonuses, then workers will opt for the one that is easiest to achieve," he said.

INTL. COMPANIES & FINANCE

James Buxton on a joint Japanese-Scottish fund management venture

Sumitrust takes the high road

JAPANESE INSTITUTIONAL investors, turning their attention away from Wall Street to the European stock exchanges, are finding that the different markets, each with its own procedures, tax regulations and broking establishments, are so confusing as to be off-putting.

One large Japanese financial institution Sumitomo Trust and Banking Company, has decided to seek a way through this maze. It recently agreed to set up a company with Ivory and Sime, the Edinburgh-based investment managers, to invest Japanese institutional funds through European stock exchanges.

The company, Sumitrust Ivory and Sime, is getting under way at Ivory and Sime's head office in Charlotte Square, Edinburgh. The funds are being handled by four senior fund managers, two from Ivory and Sime and two from Sumitomo Trust. The chief executive is Mr Nobuhiro Tanaka, a Sumitrust man, who recently moved to Edinburgh from Tokyo.

Ivory and Sime believes that Sumitrust Ivory and Sime is one of the first fully-fledged international fund management companies to be jointly owned by British and Japanese partners. Last year another leading Scottish investment management house, Murray Johnstone of Glasgow, joined with Yamaichi Securities to set up Yamaichi Murray Johnstone, a joint venture which appears to be doing much the same thing as Sumitrust Ivory and Sime, and has funds under management of about $300m.

But Ivory and Sime thinks it has stolen a march on many other UK finance houses which have made tie-ups with Japanese concerns by avoiding the type of link with a Japanese institution that could be very short-lived.

Mr Neil Dunn, chairman of Sumitrust Ivory and Sime explains: "If we were to say to Sumitrust 'why don't you become a very big client of Ivory and Sime?' we'd find that in about two years' time Mr Tanaka would know as much as we did and Sumitomo would manage its own funds. This way we are both committed to developing a joint company which will stand on its own feet and could eventually compete with both Sumitomo Trust and Ivory and Sime."

Sphere of influence

Sumitomo Trust and Banking is one of the small group of Japanese trust banks which specialise in trust management services, including the running of pension funds. Its trust account had assets of about Y9,0000bn ($50bn) in the year to March 1986.

To get Sumitrust Ivory and Sime off the ground the Japanese parent is handing over funds from three of its clients, while Ivory and Sime is transferring one—making a total of about $100m, a sum expected to double in the next few months. "It's not exactly a silver spoon, but it's something we were born with," says Mr Tanaka.

The next stage is to market the new company and its services to companies in the Sumitomo Trust sphere of influence. This task will initially be handled by Mr Dunn, who is based in the Far East, while Mr Tanaka concentrates on learning about the investment function.

In the third stage, which should begin by the second year of operations, Sumitrust Ivory and Sime hopes to build it own client base among Japanese institutional investors outside the orbit of Sumitomo Trust. "But it will do us no harm to have the word Sumitomo in our title," says Mr Dunn.

"There's no problem securing the money just now," he says. Last year, he points out, Japanese institutions had an outflow of about $100m, virtually all of which went into US bonds and equities. The Japanese now realise that the total market capitalisation of the European stock exchanges is roughly equal to those of New York, but the European market is diffuse. "The question for us is the speed at which our team can develop to handle the funds," says Mr Dunn.

He envisages building a team of Japanese and British fund managers in Edinburgh and eventually expanding out of the Ivory and Sime headquarters and into another building there.

Why Edinburgh ? "We looked at London and Zurich," says Mr Tanaka. "But it was a clever choice to come to Edinburgh. We don't want to be in the middle of the market—we want to have some distance between us and the chaos of the market."

Success for Scotland

"In London," Mr Dunn adds, "you're going to be liable to over-enthusiasm about the UK market."

The establishment of Sumitrust Ivory and Sime is a coup for the Scottish company, which has under management pension funds, investment trusts and other funds totalling £2.9bn. The decision to locate in Edinburgh is a success for Scotland, which in the past year has been making an ambitious effort to promote itself as a discerning financial centre independent of London.

It is ironic that one of the disadvantages Scotland is said to suffer as a financial centre—that it has no markets of its own — is in this case being turned into an advantage.

Swiss employment agency in European expansion

BY JOHN WICKS IN ZURICH

ADIA, the Swiss-based temporary-employment concern, has acquired companies in three European countries and announced a further capital transaction in the US.

The group, whose 1986 turnover amounted to SFr 1.6bn ($1.05bn) has acquired the French Novasam chain of 40 temporary-employment bureaux at an undisclosed price.

The purchase of Novasam, which, apart from other activities, is said to be the French market leader in the restaurant-personnel sector, will increase Adia's turnover in France by some 35 per cent. The Swiss group's nine French subsidiaries in the field of temporary employment, security services, and management already make up some 18 per cent of overall turnover.

At the same time, Adia is to enter three new European markets. In Spain, it has taken over the Intergrupp and Byssa agencies in Madrid and Barcelona and in Norway the Oslo-based Vikrabyraet. The first Adia agency has also been opened in Austria.

For 1987, Adia — which includes the Alfred Marks UK operation in among its subsidiaries—expects a marked increase in turnover and earnings.

West German retailer lifts sales at five-month stage

BY OUR FINANCIAL STAFF

THE West German stores group Karstadt, benefiting from continued high consumer spending and a successful reorganisation said parent company sales rose by 4.8 per cent in the first five months of 1987 to DM 3.7bn ($2.03bn) from DM 3.5bn a year earlier.

In 1986, the retailer's net profit soared to DM 97.86m from DM 37.07m and on sales up by 3.4 per cent to DM 12.39bn. Group results include department store, mail order and tourism activities.

Mr Walter Deuss, Karstadt's president, said the company's Neckermann mail order unit, which has posted several years of heavy losses, moved into the black in 1986, swinging to a net 1986 operating profit of DM 13.5m from the year-earlier loss of DM 5.1m.

Karstadt and other major German department store chains have benefited from a sharp increase in private consumption. In 1987, Karstadt said, this trend is continuing and is likely to raise earnings further.

An internal reorganisation has improved productivity in the group's 161 department stores. Turnover rose to an average DM 7,276 a square metre in 1986 from DM 6,950 the previous year.

INTL. COMPANIES & FINANCE

David Owen on a multi-purpose card from the world's biggest retailer

Sears puts its bets on Discover

APPROXIMATELY 15m cards in circulation; 60,000 retail outlets; 17,000 automatic teller machines. Chicago-based Sears Roebuck—long the world's largest retailer—can certainly trot out some impressive statistics justify the launch of its Discover multi-purpose credit card into a domestic market saturated with over 160m bank cards in January 1986.

According to Mr Mark Kamm, executive vice-president of SMR Research, the exercise has constituted "the most successful attempt at cross-selling products in the history of the financial services business."

"This year we fully expect to exceed Citicorp and BankAmerica and become the nation's largest bank card issuer," projects Mr Philip Purcell, chairman and chief executive of Dean Witter, the Wall Street brokerage firm which Sears acquired for $610m in 1981 as part of its costly bid to diversify into financial services. Discover falls into Dean Witter's sphere of operations.

Yet for all its spectacular growth, Discover has been a considerable drain on Dean *Witter's bottom line. While* other Wall Street firms have ridden high on the funds pouring into stocks, Dean Witter's performance has been decidedly lacklustre. Its contribution to Sears' record first-quarter 1987 profit of $287.9m was a paltry $6.1m.

Discover card operations lost $25.8m in the latest quarter to add to the $106m of losses incurred in 1986. Even analysts like Mr Richard Nelson of Chicago-based Duff and Phelps, who are generally positive about the card's long term prospects, foresee more red ink in the immediate future. Mr Nelson *expects Discover to lose some* $90m in 1987 overall.

With consumer pressure being brought to bear on the high interest rates which credit card issuers have traditionally been able to charge, and base lending rates recently rising, there are doubts about Sears' own projection that Discover will cross the break-even line and generate a profit in 1988.

Some are even profoundly sceptical regarding the card's longer-term prospects—notwithstanding the credit card market's attractive average rate of return on equity. "They cannot make money unless they charge a fee," asserts Mr Spencer Nilson, Los Angeles-based publisher of an industry news letter. "There is nothing to prove that people want an all-purpose financial services card," he adds.

Rebate on purchases

In addition to credit at a 19.8 per cent annual interest rate, Discover cardholders have access to a relatively high interest savings account and are entitled to a rebate of up to 1 per cent on purchases. A *number of new financial* services are expected to be test-marketed among cardholders in 1987, some of them jointly with the other members of the so-called Sears financial network, Coldwell Banker, the largest US full service real estate company, and Allstate, the highly profitable insurance business.

At present, no fee is levied. "We don't know when or if we will institute a charge," says Mr Robert Wood, manager of the Sears Consumer Financial Corporation. "But we do know that we have to be competitive in terms of interest rates and charge."

Discover is currently very competitive. "It is probably the cheapest card you can use if you don't carry a balance," says SMR's Mr Kamm. This has undoubtedly contributed to the card's impressive usage rate. At the end of 1986, receivables totalled $1.27bn—higher than expected, according to Mr Wood—on charge volume approaching $2bn. Cardholders had deposited nearly $400m in their savings accounts.

Nor are incentives limited to consumers. The card's increasingly numerous following of retailers — assembled despite qualms in some quarters about inviting the enemy into the home camp—has been built up largely by charging the industry's lowest merchant fees. These have averaged under 2 per cent of charges, according to some estimates, compared with 2 to 3 per cent for Visa and MasterCard and around 5 per cent for American Express.

If Sears is serious about maintaining its value position in the face of intensifying competition, some suspect, the profitability goal may have to be sacrificed, particularly if the simmering interest rate war, *which has seen leading bank* card issuers such as Citicorp, Chemical Bank and Chase Manhattan trim their rates in recent months, gathers further momentum.

However, Sears does have at least one significant cost advantage over its principal rivals: namely, the infrastructure and credit information which the company has developed by virtue of its long-standing and widely used store card. Not only does this mean that fixed costs are shared between two credit systems; it furnishes the company with a reliable credit record, stretching back over several years, for many of its Discover card customers.

The cost benefits of this established credit network should not be underestimated. For example, by targeting Discover initially at the 2m holders of Sears store cards with the best credit records, the company generated an acceptance rate, among a public increasingly bombarded these days with fresh card solicitations, widely estimated at 17 to 27 per cent.

This compares with an industry standard of 1.5 to 2.5 per cent and speaks volumes for the level of trust in which Sears is held by its customer base.

Leveraging resources

In the final analysis, Sears executives may not be too concerned if Discover fails to become an important profit centre in its own right—although Dean Witter executives, conscious of sometimes unflattering comparisons with other brokerage firms, may have rather different views on the subject.

Mr Edward Brennan, the Sears chairman, is keen to boost returns to shareholders by better "leveraging" the company's immense resources. "At Sears, we want two plus two to equal six," he proclaimed at a recent Chicago presentation.

If Discover does indeed catch on as a non-traditional distribution method for a wide range of financial services, as Sears envisages, the benefits should show up on every unit's bottom line. "The card could be successful even if it is not profitable in its own right," concurs Mr Kamm. "It is th piece of the puzzle which ties it all together."

Restructuring boosts profit at Nordstjernan

BY SARA WEBB IN STOCKHOLM

NORDSTJERNAN, Sweden's largest privately-owned company, which has interests in construction, specialty steel, shipping, retailing, engineering and services, reported a strong increase in profits (after financial items) for the first four months of 1987, which the group said was due to the effects of its dramatic restructuring programme.

The company yesterday announced a further step in its plan for a stock market listing, saying that it would issue a covertible debenture loan of SKr 270m ($42m) to employees in order to eventually spread ownership of the company.

Last autumn, Nordstjernan made the first step towards a bourse introduction with the issue of a debenture loan of SKr 125m to its board members and key personnel in the company.

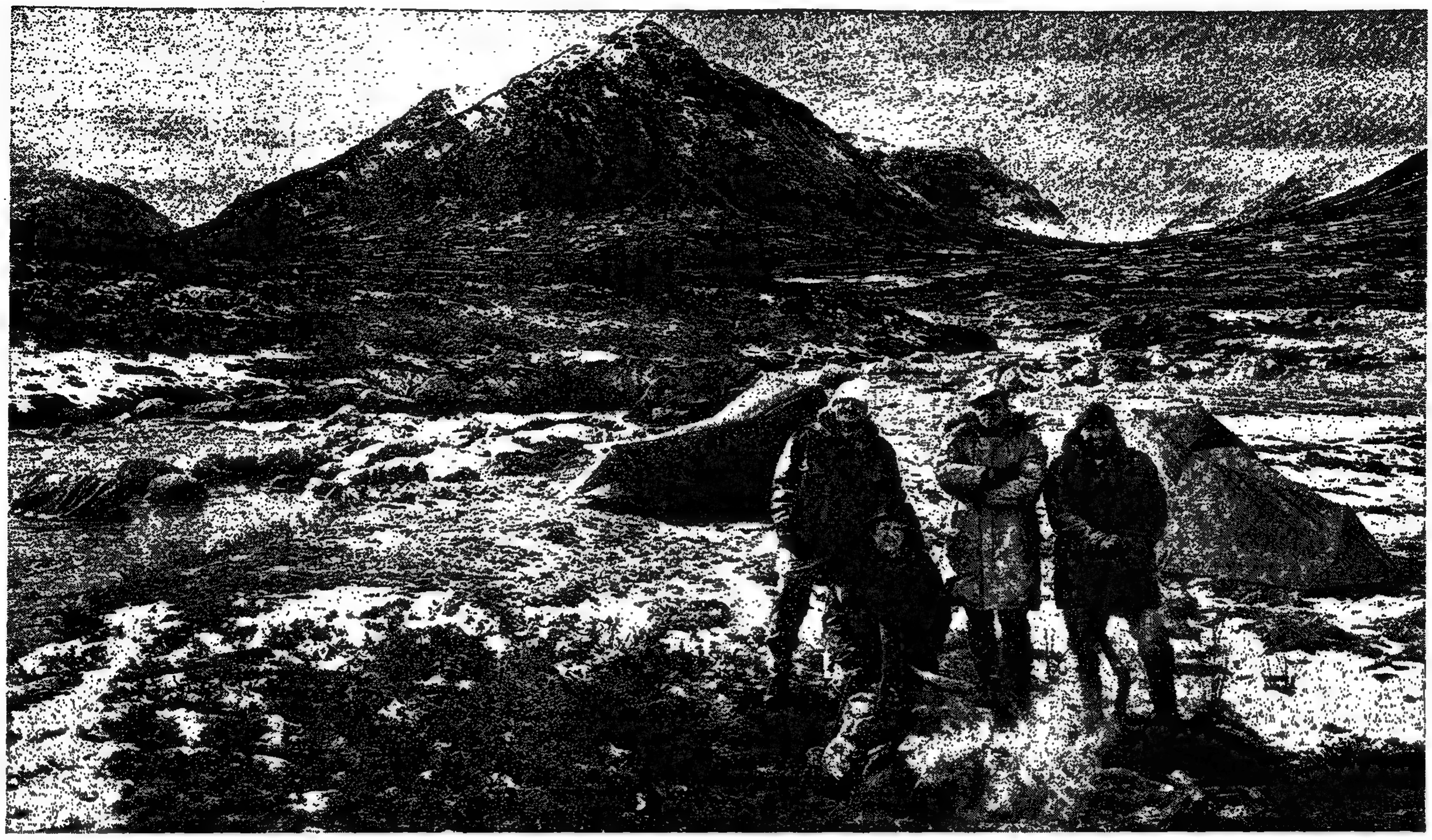
Conversion to shares is due between 1990-94. However, the group says that it is not possible yet to set a specific date for the launch as this depends on the group's financial state.

Profit (after financial items) rose by 70 per cent to SKr 129m in the first four months, compared with SKr 76m a year ago.

Group sales totalled SKr 5.33bn during the period, a rise of 3 per cent on the previous year if divestments are taken into consideration. JCC (the construction company) and Avesta (the specialty steel company) contributed most towards the increase in sales.

Full-year profit (after financial items) is expected to exceed last year's figure of SKr 406m on sales of SKr 15.25bn.

AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT



No Shelter, Survival Rations, Desolate Location.

A Typical Example Of Sheraton Service.

In Spring 1986, a group of German businessmen were staying at the Edinburgh Sheraton. They hadn't been there long before they noticed something about the service. Things were just a little too comfortable.

Being keep-fit fanatics, they asked us to provide them with something we don't normally give our guests. A hard time.

But, as the guest knows best, our hotel manager turned his office into an operations centre. Helicopters were organised and his guests were dropped off on to a bleak, windswept moor somewhere in the Highlands.

Equipped with only maps and survival rations, they had to find their own way back.

Now you might say that handling unusual requests is all part of an hotel's job. And we'd agree.

When we coined our advertising slogan 'Little things mean a lot', it wasn't just to impress our guests, it was also meant to educate our staff. After all, they're the people who make sure the slogan isn't just words. (In case you're wondering, the businessmen all returned safely.)

At Sheraton, we do everything we can to make sure our guests keep coming back.

For reservations or information on these or any of 500 hotels worldwide, contact your nearest Sheraton Hotel, Reservations Office, or your travel agent.

Sheraton
The hospitality people of
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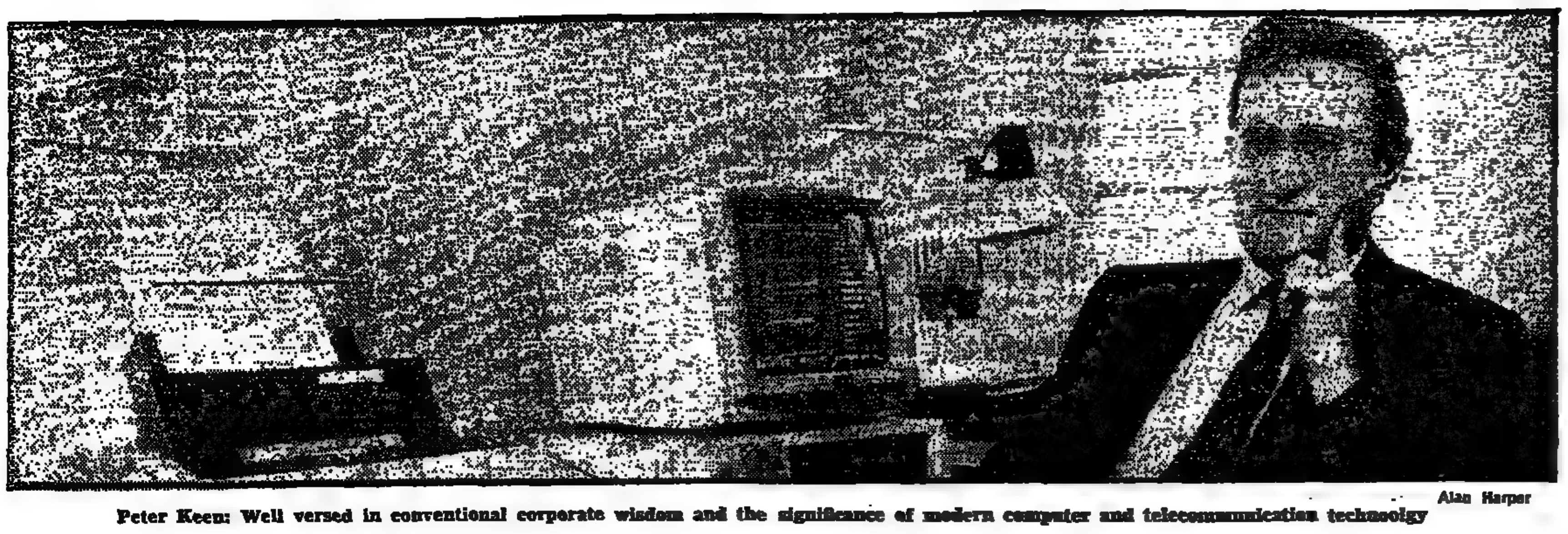

Alan Harper

Peter Keen: Well versed in conventional corporate wisdom and the significance of modern computer and telecommunication technoolgy

Seven signposts to competitiveness

Alan Cane examines the IT thinking of Peter Keen, one of a new wave of management gurus

THE BIG question these days, *everybody agrees*, is how to apply information technology to secure competitive advantage. Peter Keen, a British computer specialist and chairman of the International Centre for Information Technology, is one of a small group of management consultants trying to answer that question.

He represents a new wave of management gurus, well versed in conventional corporate wisdom, but with a *profound* appreciation of the significance of *modern computer and telecommunications* technology.

It is a role which demands a strong head for heights and an acute sense of balance, so rapidly does technological development make a nonsense of the rules.

Less than a decade ago, a company was still relatively safe if it hung back, relied on prospering in its traditional markets and let others do all the innovation, secure in the knowledge that first, the technology was probably not up to it, second, that it could leapfrog the competition through learning from their mistakes.

Now that has all changed. As Keen's new book Competing in Time* makes clear, it can prove costly to follow too far behind. He writes: "Most senior managers are sceptical about gee-whizz technology. They prefer to wait a little and let someone else prove the market is there. What can they do *though, when a gee-whiz* business idea, based on proven technology, turns out to be a winner? The technology creates a barrier to innovation. Since catch-up time is measured in years, *the firms that lack the* telecommunications base are locked out."

THE International Centre for Information Technology, of which Peter Keen is chairman, was established, he says, as a source of reliable information, education and advice.

There are now some 25 staff in the US and there should be 40 by the end of the year. The UK subsidiary is eight strong and should grow to 12. He has plans to set up an office in Asia.

The Centre is funded to the tune of $10m over three *years by the US telecom*munications company MCI *on a strictly "hands off"* basis.

It will be involved in education and research but not training. Keen says he sees the organisation "helping intelligent senior systems directors and intelligent senior business managers to be more competitive — in *their own terms*." He wants to help large organisation to help themselves.

"We are catalysts. We pro*vide advice rather than con*sultancy. Our aim is to help *companies to get to a point* they want to be a year earlier than they could have hoped," he says.

A major concern is that too often experience of information technology moves from the US to Europe where it may be wholly inappropriate.

He believes that a number of European companies — Thomson Holidays, described in the accompanying article is perhaps the best example *—have something to teach* the Americans.

Over a very short period, information technology has improved dramatically and the more aware organisations have become aware of its potential. "Integration of computing and telecomunications technology is happening much faster than is commonly realised," Keen said in London recently. "But most managers have a poor understanding of what is happening."

He argues that alert businessmen should ask themselves three fundamental questions; when to lead and when to follow, when to co-operate and when to compete and how to recognise that a customer has become a *competitor*.

Keen describes powerful international examples of each of these dilemmas:

- Thomson Holidays of the UK guaranteed its leadership in the *UK holiday business* by placing viewdata sets on travel agents' counters and by demonstrating their effectiveness as a fast, secure booking system.
- Publix, a Florida supermarket chain, set up its own automated teller machine network, moved into full cashless shopping and charged the banks to use the network.
- Ford, the motor manufacturer applied to become a member of the banks' worldwide financial messaging system (SWIFT) so that it could move funds around worldwide through its own network.

What Keen does not have is a set of simple answers; the problem with innovation in computing at this stage of the *game is that there is* a high element of risk; investments have to be made without there being any clear cut connection with cuts in costs or rises in profitability.

He does, have, however, a seven point check list for any company that is concerned about its competitive position and new technology.

1—Senior managers, he says must be acutely aware of the nature of information technology and the way it can affect business. In some companies it is already the fastest growing part of the budget. An ageing, lethargic board seems to be a fine recipe for disaster.

2—A company must understand how its customers think rather than how they are supposed to think—it is arguments like this which convince Keen that retailers will seize the initiative in financial services from the banks.

3—The company must have a strategy and a champion of that strategy—in Keen's words, an architecture and an architect.

4—*Furthermore, it is essen*tial to win the hearts and minds of the middle managers who must make it all work. Education is the best way to get them on board, he says.

5—There has to be a strategy for allocating funds and costs which does not involve cost-justification. "If I wanted to be sure of killing off an information technology project," says Keen, "I would allocate the costs over 18 months."

6—There has to be a three to *five-year planning horizon* which means that for companies which have still to start on their strategic planning, hopes of benefits by the early 1990s are already beginning to go by the board. "A one year information systems plan is simply for intellectual merriment," Keen remarks sourly.

7—There has to be integrated thinking about integrated technologies. That means that if a company plans a telecommunications network which integrates voice and data together, there has to be a strategic reason for doing it that way and the systems planning has to turn around the integration of the network.

"If you have any less than seven out of seven right, it is not good enough," Keen insists. "You have got to move forward on all fronts at the same time.

*Competing in Time, Peter G. W. Keen, Ballinger Publishing Company, Cambridge Massachusetts, *published* in the UK by Harper and Row, £24.95.

Groundwork for the water meter reader

WITH THE prospect of water metering becoming the rule in the UK rather than the exception, Atlantic Plastics of Cardiff, Wales, has developed a means of rapidly reading an underground water meter by simply placing a detector over the lid of the underground box in which a special meter is installed.

The underground electronic unit is powered by a battery with an expected life exceeding eight years. Water flow is converted electronically into electrical current which energises a magnetic system embedded in the lid at ground level.

To read the meter, the operator uses a detector unit on the end of a rod, connected to a hand-held unit in which the readings can be stored. With a suitable printer, the equipment allows door-step billing. Alternatively, the unit can empty its data into a mainframe computer on return to an office.

Quicker sales by credit card

CREDIT CARD transactions in shops can be conducted a little more quickly with an electric imprinter from NBS of Weybridge, Surrey, in the UK.

Operation of the NBS 4301 is easy for the shop assistant. The card is placed on the imprinting bed, the voucher set inserted and the lid closed. In under one second, the unit *makes the imprint, with what* is claimed to be a perfect quality impression every time. The unit will also imprint the embossed details from cheque guarantee cards on to the backs of cheques.

This case holds a coronary lifeline

HEART FAILURE becomes less of a lethal hazard with a rapid, telecoms-based *emergency treatment system from US company Medphone* Corporation of Paramus, New Jersey.

The idea is to allow defibrillation of the patient's heart before he arrives at the hospital many minutes later. Defibrillation is the application of an electric shock to the chest through pads and can restore normal heart action. Medphone, quoting US studies, says that patients treated in the first four *minutes after heart failure*, have a 10 times better chance of recovery than those who are taken to hospital before *treatment*.

A briefcase unit, equipped with defibrillator and electrocardiograph (ECG), phones the hospital automatically when opened. Alerted at the other end, the doctor can see *the ECG traces* and can talk to the person tending the patient. Over the link, the doctor can defibrillate as necessary and also see the patient's medical record on screen. Temtech, a Belfast company, is *manufacturing* the system, which is called MDphone. The portable unit costs $6,000, the doctor's unit up to $25,000.

US view of the optical archive

DATA GENERAL, the US computer company, has entered the optical storage market with a system called Opstar 2000.

Opstar uses a 12-inch optical drive from Optimem and discs from 3M, both US companies. The system is managed by a Data General Eclipse MV/7800 minicomputer, and costs about £88,000.

Opstar 2000 uses WORM (write once read many times) technology and can store up to 16 gigabytes (16,000m characters) of data. Data cannot be erased and applications are essentially archival.

End of the decade defence positions

LATE 1989 is the likely date for completion of the satellite-based Global Positioning System (GPS), according to end-user equipment maker Magnavox of the US. GPS has been postponed because of delays in America's space shuttle programme.

GPS is being developed by the US Department of Defence. When completed, it will provide round the clock, highly accurate *positional* information anywhere on the Earth's surface. It was originally scheduled to come into service this year. Some of the craft are already up and are providing a limited service. The *remainder* will be launched on Delta 2 rockets until the shuttle programme re-starts.

Quality casting without asbestos

CAPE INDUSTRIAL Products of Glasgow has developed an improved material for making the components used in casting aluminium and other non-ferrous metals. From *1980 these industries* have had to use materials that replaced asbestos in view of of the health hazards that were emerging. The results, says Cape, was that components like tubes, nozzles, spouts and stoppers never quite matched the quality of their asbestos-based predecessors. The new material, Monalite G3, has restored the situation, says the company. Based on calcium silicate, it *offers superior* thermal, flexural, tensile and machining properties and resists metal adhesion.

Toshiba PCs to be made in America

MORE FOOD for thought for the US personal computer industry is provided by Japanese company Toshiba, which has just announced plans to manufacture its lap-top machines in Irvine, California.

The factory will initially produce 5,000 units a month but there are plans for expansion. Toshiba says the decision was made in order to meet more efficiently demand for its products in the US, and in the long-term to "help *lessen trade friction between* Japan and the US."

CONTACTS:

Medphone: US, (201) 843 8844. Data General: UK office, London, 572 7456. Magnavox: US, (213) 618 1200. NBS: UK, 09323 51631. Atlantic Plastics: UK, 0222 70521. Toshiba: Tokyo, 457 2104. Cape Industrial Products: UK, 041 558 6144.

Teollistamisrahasto Oy-
Industrialization Fund of Finland Ltd.

US$25,000,000 8½% Bonds 1977 (81-87)

Redemption as of 18 September 1987

According to the terms and conditions of the loan all bonds not yet drawn by lot in the nominal amount of US$2,500,000 will be due for redemption as of 18 September 1987.

The bonds will be redeemable at par as from 18 September 1987 against presentation of the bonds. Payment may be claimed from any of the following Paying Agents:

Westdeutsche Landesbank Girozentrale

Kredietbank S.A. Luxembourgeoise
Kuwait Investment Company (S.A.K.)
Union Bank of Switzerland
Bank of Helsinki Ltd.
Kansallis-Osake-Pankki
Postipankki
Algemene Bank Nederland N.V.
Credit Commercial de France
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Kredietbank N.V.
Orion Royal Bank Limited

INDUSTRIALIZATION FUND OF FINLAND LTD.

Helsinki, June 1987

DP ENERGY RESOURCES GROWTH FUND N.V.
formerly named
Viking Resources International N.V.
Curaçao, Netherlands Antilles

In the Annual General Meeting of Shareholders held on 18th June, 1987 a cash dividend of US$ 0.30 per ordinary share was declared payable as from 25th June, 1987 on the ordinary shares against delivery of dividend coupon nr. 1 with

Pierson, Heldring & Pierson N.V.
Herengracht 214
Amsterdam

Company Notices

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 15th May, 1987 NOTICE is now given that the following distribution will become payable on and after 15th June, 1987, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION	6.25	CENTS
LESS 15% U.S. WITHHOLDING TAX	0.9375	CENTS
	5.3125	CENTS PER UNIT
CONVERTED at 1.6320 =	3.24328	PENCE PER UNIT

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street, London EC3P 3AH

RIGGS NATIONAL CORPORATION
US$100,000,000
Floating Rate Subordinated Capital Notes 1996

In accordance with the provisions of the Notes, notice is hereby given that for the period 18th June 1987 to 18th September 1987, the Notes will carry a rate of interest of 7⅜% per annum with a coupon amount of US$188.47.

CHEMICAL BANK AS AGENT

RIGGS NATIONAL CORPORATION
US$60,000,000
Floating Rate Subordinated Capital Notes 1996

In accordance with the provisions of the Notes, notice is hereby given that for the period 18th June 1987 to 18th September 1987, the Notes will carry a rate of interest of 7 7/16% per annum with a coupon amount of US$190.07.

CHEMICAL BANK AS AGENT

Public Notices

F. J. C. LILLEY plc

NOTICE IS HEREBY GIVEN that in a Petition presented by F. J. C. Lilley plc having its registered office at 331 Charles Street, Glasgow G21 2QX, for confirmation of reduction of capital by way of cancellation of share premium account an Order was pronounced by the Inner House of the Court of Session at Edinburgh on 16th June 1987 appointing the Petition to be intimated on the Walls of Court and in the Minute Book in common form *and to be advertised once in the Edinburgh* Gazette and once in each of the Financial Times and Glasgow Herald newspapers and appointing all parties claiming an interest to lodge Answers thereto, if so advised, within 21 days after such intimation and advertisement.

BIGGART BAILLIE & GIFFORD, W.S.
Solicitors for Petitioners
105 West George Street,
Glasgow G2 1QP.

BANCA NAZIONALE DELL'AGRICOLTURA S.p.A.
(Incorporated with limited liability in the Republic of Italy)
London Branch
(a licensed deposit-taker)

ECU 100,000,000
FLOATING RATE DEPOSITARY RECEIPTS DUE 1993

NOTICE IS HEREBY GIVEN that *the rate* of interest has been fixed at 7% for the interest period 19th June 1987 to 21st December 1987.

The interest Amount payable on 21st December 1987 will be ECU 359.72 in respect of each receipt for ECU 10,000 and will be ECU 179.86 in respect of each receipt for ECU 5,000.

CANADIAN IMPERIAL BANK OF COMMERCE
Agent Bank

15th June 1987

BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT FINANCE COMPANY N.V.
Registered Office:
15 Pietermaai, Willem Stad
Curacao, Netherlands Antilles
US$5,000
Floating Rate Notes due 1991

The holders of USD 5.000 floating rate notes are informed they have the option to proceed to the exercise of retraction option for September 1987.

The notes will be redeemed at par. *According to issue contact note*, the noteholders who intend to exercise this option have to deposit their securities together with all outstanding coupons appertaining thereto, with a retraction notice duly signed, prior to 1st July 1987 at the offices of following establishments:

- BANQUE NATIONALE DE PARIS —PARIS
- BANQUE NATIONALE DE PARIS PLC—LONDON
- BANQUE NATIONALE DE PARIS —MANAMA BAHRAIN
- BANQUE NATIONALE DE PARIS (LUXEMBOURG S.A.)— LUXEMBOURG

Art Galleries

MEDICI GALLERIES, 7, Grafton St., Bond St., W1. 01-629 5675. Exhibition of Miniatures by 18 contemporary artists. 18 June-8 July. Mon.-Fri. 9-5.30.

MANAGEMENT

Tactical advantage

'Scrum and Scramble' —the Japanese style

Christopher Lorenz examines radical approaches to innovation

EPSON, the world's leading maker of printers for personal computers, has a strange-sounding way of developing new products. It is called "Scrum and Scramble."

The prodigiously successful company, which has become the gem of the Japanese Seiko watch empire over its past decade of explosive growth, is using the approach to more than halve the time it takes to develop new printers, from the two years it needed for its best-selling MX and FX 80 printers. At 18 months, it is already half-way there.

Though Epson is already streets ahead of its Western competitors, and holding its own against Far Eastern rivals, "we are doing everything possible to get development down to under a year," says Hideaki Yasukawa, senior managing director of Seiko Epson. The company not only wants to repel any challengers—IBM has been making strenuous efforts to close the gap—but also to cut product costs, and give the consumer a fast-expanding choice of machines.

"Scrum and Scramble" is a variant of what is becoming known among insiders as the "rugby team" approach to product development. It has been practised for over a decade by entrepreneurial Japanese companies such as Canon, Honda and Sony, in preference to the more sluggish "relay race" tactics traditionally used by most of their bureacratic competitors in Europe and the United States; only a few western pioneers, such as Hewlett-Packard, are practised users of "rugby" tactics.

Together with a less risky approach to product innovation — and more thoughtful design-for-manufacture (see inset), this is one of the keys to Japan's uncanny ability to lap its western rivals in the "product race" which is now gripping industry after industry (see Wednesday's introduction to this series).

Asked to describe "scrum and scramble", Yasukawa grins, reluctant to reveal the workings of one of Epson's main competitive weapons. When pressed, he talks of "putting more pressure on our engineers, and doing more group work", with specialists in marketing, industrial design, engineering and manufacturing all working together on project teams.

THE PRODUCT RACE

Therein lies the essence of the "rugby" approach to product development. In the traditional western "relay race," one group of functional specialists "passes the baton to the next group," says Professor Hirotaka Takeuchi of Japan's Hitotsubashi University who, with his colleague Ikujiro Nonaka, is one of the few academics or consultants to have studied Japanese product development in depth.

Says Takeuchi: "The project goes sequentially from phase to phase: concept development, feasibility testing, product design, development, production design and tooling, pilot production, and full production." The various functions are compartmentalised from each other, "with different specialists carrying the baton at different stages of the race."

The trouble with this sequential approach, as Xerox and other western companies have discovered to their considerable cost, is that it tends to conflict with today's over-riding need for speed and flexibility in development.

The relationship between the various runners is, at best, laboriously formal, and at worst suffers from mutual incomprehension and mistrust. Hand-overs often occur late, and the baton sometimes has to be passed back for a re-run because of problems such as poor initial design-for-manufacture.

Under the rugby approach, by contrast, Takeuchi says a hand-picked, multi-disciplinary team, with its members working together from start to finish of the development process, "goes the distance as a unit, passing the ball back and forth." The team usually has a high degree of autonomy, and often includes representatives from key suppliers.

Rather than moving in defined, highly structured phases, Takeuchi says that development "rugby" is extremely flexible, with the team members interacting closely and crossing old demarcation lines. This both allows and encourages them to overlap development stages which used to follow each other, or even to combine them. "The net result is a shorter development time," says Takeuchi.

At Minolta, for instance, Toshio Kobori, assistant general manager of camera engineering, says that the design-to-market cycle for compact cameras is in the process of being halved by several kinds of overlapping, including the design of production tooling at the same time as the product's development. Under the "relay" system, tooling would only be developed after the product's design was frozen.

In the Japanese car industry the phases of product and production-engineering tend to be overlapped more than in the US, according to Professor Kim Clark of the Harvard Business School, who is making a major study of product development in the world car industry. This is one of the reasons why Clark has found that the average development cycle for Japanese cars is currently just three-and-a-half years, compared with over five in the US. To Detroit's alarm, the Japanese are intent on getting even faster.

In the design and development of dies for stamping body panels, for example, Clark has discovered that Japanese car makers tend to release tentative design data to their tooling suppliers much earlier in the development process than their US competitors. Such tactics are part of the Japanese practice of having extremely close relations with a small family of tightly-knit suppliers.

Whether the use of project teams is the only way to achieve this vital overlapping of development phases is disputed.

Armed with Takeuchi and Nonaka's research,† members of a British Design Council study tour of Japan last autumn also found the system in action at Sony, Epson and Brother, the typewriter and sewing machine maker. Nissan, the hard-pressed car manufacturer, shifted to it last year, dispensing with the international motor industry's standard sequential approach.

But, at least in Japan, it may sometimes be possible to engender a "rugby" spirit without adopting a formal project team structure. Kim Clark reports that the mix of "integration mechanisms" varies widely between Japan's car-makers, including not only cross-functional project teams and task forces, but also "product managers acting as integrators," liaison roles in each function, and even direct personal contacts across functions. Whatever their formal structure, Japanese companies do tend to have very intense communications between different disciplines.

At giant consumer electronics companies such as Matsushita and Sharp, project teams are certainly not the norm. "We're still departmentally organised," says a senior Matsushita executive. "Such teams are not usually used at Sharp, except for special short-term projects," according to Kiyoshi Sakashita, the company's influential corporate design director.

In both these companies the role of co-ordinator in the early part of the development process is played by product planners, with divisional management then assuming responsibility for making the process work. "But we have lots of informal teamwork," says Sakashita. "Group working is always very natural in Japan."

This is not invariably the case, even in companies where the famous Japanese "group ethic" is otherwise alive and well. In a rare glimpse behind the consensus exterior of Japanese decision-making, the Design Council group heard a remarkable admission by Minolta that teamworking had been less than ideal during the development of the world's first autofocus 35mm camera, which took the camera market by storm when it was launched in 1985, in spite of its incompatibility with existing lenses and accessories.

The project had top management's forceful backing from the start, but right through the development process "the marketing and sales people had doubts," says Toshio Kobori. "It was only a few days before the camera's launch that we got their consensus." This is not the only time that manufacture of a new product has been forced through at Minolta without the agreement of marketing, hints Kobori.

Most European and American companies, by contrast, have found that anything less than extremely tight co-ordination of functional specialists is almost as ineffective as the old "relay" tactics.

That is why many of them have started to move towards the "rugby team" approach. Xerox and several American electronics manufacturers have gone all the way by setting up highly autonomous project teams, some of which compete with each other. They have also slashed their number of suppliers — by a factor of 10 in Xerox's case — and involved them deeply in development.

Not before time, such companies are all becoming better runners in the international product race.

† *In Harvard Business Review, Jan-Feb 1986.*

The first article in this series appeared on June 17; the next will be published on June 26.

Forethought is the key

AT A LARGE car factory in the heart of Japan's industrial belt, five entirely different types of model — with every possible variation of floor pan, body shell, engine, gearbox and axles — are welded on the same machines. Yet the factory is no new-fangled showpiece of "flexible manufacturing": it was built more than a decade ago, and does not even use numerically-controlled machine tools.

The source of this flexibility, and immense cost-effectiveness, is that each type of car has been designed with its welding spots in exactly the same place, so that it can be done by the same conventional, low-cost machines.

Japan's industrial landscape is peppered with similar examples of the careful forethought which for years has been devoted to making products easily and cheaply. "The West hasn't paid nearly as much attention to the interface between product development and the design of the production process," says Steve Walleck, head of the manufacturing practice of McKinsey and Co, the management consultancy.

Japan's focus on simplicity of manufacture stems in part from its step-by-step approach to product innovation, argues Walleck. In preference to the strategy in most western industries (though not always in West Germany) of developing radically new "killer products" at extended intervals (six or seven years in the motor industry) the Japanese introduce incremental improvements much more frequently—in cars, about every two years.

"The western approach is far more risky and difficult to manage," says Walleck. "Not only is there a higher risk that the new product will fail in the marketplace, but the chance of successful production start-up is low." Countless western companies can attest to that: disruptively late design changes are a by-product of a sequential development system (see main article).

The Japanese have had a different strategy towards production plant, at least since the 1970s. "The conventional western approach has been to design a product to last the life of its costly tooling," says Walleck—15 or 20 years for a car engine, six or seven for an alternator, and so on.

During the 1970s, in contrast, one Japanese car generator maker introduced a series of products, each exactly 7mm smaller than the one before. Its baffled western competitors, saddled with outdated products and tooling, eventually discovered that the company had not changed its plant at all: it had planned from the very start for successive product generations, and used equipment such as fixturing devices with 7mm stepped chucks.

This sort of foresight in product and process design also allows the Japanese to alter products at the last minute in response to technological or market changes. Honda's recent ability to switch to a higher-technology rear suspension system for its Accord, only months before the car was launched, is a case in point.

Such control, flexibility and all-round organisational effectiveness will stand the Japanese in good stead as they move their products up-market, argues Walleck.

Unless western companies—including the car-makers—can match Japanese development times, Walleck warns that "those guys will continue to move forward in an absolutely rigorous advance, rolling through the West's market niches like a tank."

Arts Week

F	S	Su	M	Tu	W	Th
19	20	21	22	23	24	25

Music

SPAIN

Granada's Festival includes this week Tolbuhin Chamber Orchestra conducted by Dapov and Sophia Madrigal Chorus conducted by Kralev with a two day programme; Monday, Purcell, Vivaldi, Respighi and Ramon Roldan Samiñan. Tuesday: Corelli, Vivaldi, Telemann, Bach, Haydn and two premieres by Jose Barrera and Fernando Sor. Auditorio Manuel de Falla. Wednesday: guitar concert by Flores Chaviano: Lauro, Ardevol, M. Ponce, Chavez, Ginasterra and Viallobos. Thursday: concert by José Maria Pinzolas: Albeniz's 'Suite Iberia' (Homage to Rubinstein). Both concerts at the Patio de Arrayanes.

ITALY

Florence: (50th Maggio Musicale): Teatro Comunale: Zubin Mehta conducting Haydn's 'Creation' with soloists Kathleen Battle, Gosta Winbergh and John Tomlinson (Sat, Sun, Wed, Thur). The Orpheus Chamber Orchestra with violinist Gidon Kremer: Mozart, Schubert, Schnittke, Stravinsky (Wed) and Vivaldi, Brahms (Thurs). (277 92 36).

Milan: Teatro alla Scala: Wolfgang Sawallisch conducts Mozart's Symphony No 20 in D major, Richard Strauss's Don Giovanni and Shosakovitch's 5th Symphony (Sun) (80.91.26).

Rome: Villa Medici Festival (Accademia di Francia, Piazza Trinita del Monti 1). Andrew Davies conducting the Santa Cecilia Orchestra in Berlioz's Le Corsair Overture, The Death of Cleopatra and Harold in Italy – Symphony No 16, with soloists Felicity Palmer and Bruno Giuranna (Sat) (676 11).

Spoleto: (30th Two Worlds' Festival): Teatro Caio Melisso: midday concert (Thurs) (402 65)

Sermoneta (40kms. s.e. of Rome) 23rd, Pontina Music Festival: Castello Caetani: Prater Ensemble Wind Octet playing Beethoven, Mozart and Schubert (Sat). Info: (402 51-Latina).

LONDON

Royal Philharmonic Orchestra conductor Andre Previn with Anne-Sophie Mutter, violin. Beethoven, Prokofiev. Royal Festival Hall (Tue: Wed – all Beethoven). (928 3191).

Philharmonia Orchestra, conductor Francesco d'Avalos, Anne Evans, soprano: Wagner programme. Barbican Hall (Tue) (638 8891).

Every Good Boy Deserves Favour – Tom Stoppard and Andre Previn's piece for actors and orchestra. Elizabeth Hall (Tue, Wed, Thur).

Vladimir Ashkenazy: piano. Schubert, Schumann. Royal Festival Hall (Thur).

London Symphony Orchestra conductor Michael Tilson Thomas: The Gershwin Years. Barbican Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw: Leonard Bernstein conducting with Helmut Wittek, boy soprano. Schubert, Mahler (Wed, Thur) (71 83 45).

Amsterdam, Paradiso; the Asko Ensemble conducted by Peter Eötvös with Taco Kooistra, cello. Ligeti, Eötvös, Carter, Torke (Mon) (211).

TOKYO

New Japan Symphony Orchestra, conducted by Shuji Tanaka with Kotaro Sato, piano: Bernstein and Gershwin. Tokyo Bunka Kaikan (Mon) (237 9990).

Tokyo Symphony Orchestra conducted by Kazuyoshi Akiyama with Midori Gotoh, violin: Strauss, Prokofiev, Brahms, Schönberg. Tokyo Bunka Kaikan (Tue) (362 6764; 824 7003).

Japan Philharmonic Orchestra and Shin-Yukai Chorus conducted by Naoto Ohtomo; alto saxaphone Kenichiroh Mutoh. Satie, Glazunov, Ravel. Tokyo Bunka Kaikan (Wed) (234 5911).

Cambridge Buskers: Bach, Vivaldi, Mozart. Toshi Centre Hall, Akasaka (Thur) (545 8348).

NEW YORK

Juilliard Concerts (IBM Gallery): Concert Brass Ensemble perform music for brass ranging from the renaissance to contemporary music (Wed, 12.30). 56th & Madison.

WASHINGTON

Mostly Mozart Festival (Concert Hall): Festival Orchestra conducted by Gerard Schwarz. All-Mozart programme (Wed); Haydn, Mozart, Beethoven (Thur). Kennedy Center (254 3776).

Schleswig Holstein Music Festival (June 28-August 23)

Following last year's successful Festival, initiated and directed by Justus Frantz, this summer's programme has been extended to 150 concerts in 26 different venues.

World class musicians will be performing in small villages from the Island of Sylt in the north to Wotersen in the south, in manor houses, barns and riding stables, at cheap rates. One of the main aims of the festival is to attract and support young talent and there will be classes with Elisabeth Schwarzkopf, Heinrich Schiff and Nina Dorliac, among others, at the new Summer university, Salzau.

The festival's own orchestra, trained throughout the summer by Leonard Bernstein and Sergiu Celibidache, will then go on a concert tour of Germany.

Some highlights of the festival will be the Concertgebouw Orchestra with Bernstein, the Philharmonia Orchestra with Sinopoli, the Royal Philharmonic Orchestra with Menuhin, conductors Gerd Albrecht and Claudio Abbado, soloists Gidon Kremer, Oleg Kagan, Dietrich Fischer-Dieskau, Hermann Prey, Peter Schreier and Edith Mathis, among others.

Sponsored by Lufthansa and Windsor, tickets from Schleswig Holstein Festival, Postfach 3840, 2300 Kiel, West Germany.

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NETHERLANDS

Amsterdam, De Krakeling (Nieuwe Passeerdersstraat 1). The Teatro "O Bando" youth company with Alfonso Henriques, a swashbuckling tale of Portugal's first king, Alfonso 1, based on medieval texts (Fri, Sat, Sun) (24 51 23).

Amsterdam, Odeon Theatre (Singel 460). Victoriana, a tribute to Victorian and Edwardian music hall presented by the Hall Family (Fri to Sun). (22 97 42).

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam with Noel Coward's Private Lives directed by John Hartnett and starring Lesley Hughes and Chris Young (all week except Sun and Mon). (24 23 11).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

TOKYO

Tango Argentina (in English). Yet another original Broadway show for Tokyo, this is conceived and directed by Claudio Segovia and Hector Orezzoli. The sensual and powerful tango theme – like flamenco – fascinates the Japanese, mainly because sentiments and expression are at such a far remove from their own culture. Starring Nelida Rodrigues de Aure, Hector Nelso Avila and Cecilia Narova. Kosei Nenkin Kaikan Hall, Shinjuku.

A Streetcar Named Desire (in Japanese): Directed by Toru Emori with (incredible as it may seen) 78 year-old Haruko Sugimura playing Blanche. Since Ms Sugimura's first appearance in 1953, she has given over 600 performances in this role. The phenomenon speaks volumes on Japanese culture. At Seibu's new theatre. Ginza Saison. (535 0555).

Les Misérables: After London and New York, now Tokyo, and the Japanese version by the Toho Company. With the cast hand-picked by the creative team of producer Cameron Mackintosh (from an astonishing 12,000 hopefuls), then trained for six months in a special "ecole", rehearsed by John Caird himself, costumes, set, sound and lighting supervised by the respective original designers flown in from London, Toho's Les Miserables (for both process and quality control) is set to make musical history in Japan. Sponsored by the cosmetics company, Shiseido, Les Misérables stars Sakao Takida, Ran Ohtori, Huruhiko Saito, Goro Noguchi, Hiromi Iwasaki, Kaho Shimada. Imperial Theatre, near Ginza (201 7777).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 2 (443 3800).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Madame Butterfly, conducted by Guiseppe Sinopoli, has Catherine Malfitano, Kaja Borris, Pia Göthgen, Peter Dvorsky and Ludwig Baumann in the cast. Macbeth returns with Renato Bruson in the title role. Also this week is Fidelio with Lisbeth Balslev, Carol Malone and Spas Wenkoff.

Hamburg, Opera – closed for renovations, but performances in the Musikhalle: Franco Bonisolli, accompanied by the Opera Orchestra sings arias by Bellini, Bizet, Giordano, Mascagni, Leoncavallo, Puccini and Verdi (Sat).

Frankfurt, Opera: William Cochran, Catarina Ligendza, Cornelia Berger, Wolfgang Probst and Heinz Zednik sing in Siegfried, and Hildegard Heichele, Nan Christie, Marianne Rorholm, Anny Schlemm, Wolfgang Schöne and Tom Fox in Le Nozze di Figaro. Die Entführung aus dem Serail stars Faye Robinson, Susan Roberts and Hans Peter. A performance of Götterdämmerung closes the season.

Cologne, Opera: The Magic Flute stars Helen Donat, Josef Protschka, Ludwig Baumann and Janice Hall. Also in repertory is Die Hochzeit des Figaro, and Andrea Chenier, with Wladimir Popov, Wassilio Janulako, Galina Savova and Eva Tamassy.

LONDON

Royal Opera, Covent Garden: A mixed bag of repertory pieces this week: La Bohème, an affectionate revival under Giuseppe Patanè's experienced baton, with Cynthia Hamon and Ilona Tokody alternating as Mimi; yet another round of Barbers, this time with Leo Nucci (Figaro), Paata Burchuladze (Basilio) and Lucia Valentini Terrani (Rosina) new to the production; and the dull, unstylish new Manon, conducted by Jeffrey Tate, with Julia Migenes and Neil Shicoff the unsympathetic leading couple.

Sadler's Wells, Rosebery Ave: Les Grands Ballets Canadiens end their season on June 20.

Jacob Street Studios, near Tower Bridge: The Heidelberg Dance Theatre performs a dance-drama about the poetess Sylvia Plath until June 21.

NETHERLANDS

Amsterdam, Muziektheater. The ballet company of the Hungarian State Opera with Romeo and Juliet (Mon, Tue). William Forsythe's Artifact from the Frankfurt Ballet (Thur). (255 455).

Amsterdam, Soeterijn Theatre (Linnaeusstraat 2). Indian music and dance from Bengal (Mon) and Kerala (Wed) (56 88 500).

Amsterdam, Doelenzaal (Kloveniersburgwal 87). Krisztina de Chatel's Dance Group with Staunch (Wed, Thur). (239 112).

ITALY

Milan, Teatro della Scala: Mozart's Marriage of Figaro directed by Giorgio Strehler, designed by Ezio Frigerio: the cast includes Patrizia Pace, Milena Pauli, Oslavio di Credico, Ernesto Gavazzi and Giorgio Surjan, conducted by Riccardo Muti (Sat, Mon, Thurs). La Fille Mal Gardée, danced by Elisabetta Armiato and Biagio Tambone and conducted by Michel Sasson (Fri, Tues). (80 91 26).

Turin, Teatro Regio: Verdi's Nabucco conducted by Maurizio Arena, directed by Renzo Giacchieri (Sat, Tues) (548 000).

Venice, Teatro all'Aperto: The National Ballet of Spain in Manuel de Falla's The Three-Cornered hat, with scenery and costumes based on sketches by Picasso. Choreography by Jose Antonio. (Tues). (521 0161).

Naples, Teatro San Carlo: A ballet by Misha van Hoecke based on Neapolitan popular songs directed by Roberto de Simon (Sat, Wed) and Puccini's Tosca conducted by Gianluigi Gelemetti and directed by Filippo Crevelli (Fri, Sun, Tue, Thurs). Gast includes Carol Neblett, Lando Bartolini and Silvano Carroli. (797 2412).

SPAIN

Barcelona, Pacini's 'Saffo' with soprano Montserrat Caballe and Juan Pons in the leads. M. Ramin conducts Liceu's Orchestra. Gran Teatre del Liceu, San Pablo 1. (Wed)

Madrid, 'Madrid en Danza' with Barcelona's Group Lanonima Imperial presenting 'Eppur si Muove'. Centro Cultural de la Villa de Madrid, Plaza del Descubrimiento. (Tue to Thur)

NEW YORK

New York City Ballet (New York State Theater): More than 40 works by Balanchine, Robbins Peter Martins and other choreographers will be part of the two month-long 86th season, including two new works by Martins set to music by Handel and Michael Torke. Ends June 28. Lincoln Center (870 5570).

Metropolitan Opera: The 21st season of free park concerts continues with La Bohéme conducted by Richard Woitach with Hei-Kyung Hong, Vinson Cole and David Arnold. Great Lawn, Central Park (Tue), Bronx Botanical Garden (Wed).

Netherlands Dance Theater (Metropolitan Opera House): New York premieres of Jiri Kylian's L'Histoire du Soldat and L'Enfant et les Sortileges highlight the mixed programmes. Ends June 27. Lincoln Center (362 6000).

WASHINGTON

American Ballet Theatre (Opera House): Cynthia Gregory, Marianna Tcherkassky and artistic director Mikhail Baryshnikov return for the spring season of mixed programmes including company premieres of Sunset choreographed by Paul Taylor to music by Elgar. Kennedy Center (254 3770).

Wolf Trap: New York City Opera performs La Traviata (Tue, Thur), Tosca (Wed). Vienna, Va. (703 255 1868).

TOKYO

Stanislavsky and Nemirovich-Danchenko Moscow Musical Theatre Ballet: Swan Lake. Tokyo Bunk Kaikan (Thur) (265 6361)

Merce Cunningham Dance Company: Points in Space, Channels/Inserts, Grange Eve. Nakano Sun Plaza (Thur).

Flamenco Dance: Japan's best-known dancer, Shojo Kolima, returns to Tokyo with Spanish dancers including Antonio Morales. Cuadro Flamenco and Escenas de Amor. Hakuhinkan Theatre, Ginza (Mon-Thur) (571 1003).

Carmen (Bizet) interpreted in traditional Japanese dance by the Japanese Classical Dance Association, choreography by Yoshijiro Hanayagi. National Theatre (Wed, Thur) (533 6455).

Exhibitions

PARIS

French Masters of the 19th and 20th century: From Toulouse-Lautrec's Moulin de la Galette to a rare Gauguin with a landscape of Brittany seen through a luxuriant prism of colours; from a powerful flower composition by Nicolas de Stael to Cezanne's protrait of Madame Cezanne, from a pastel coloured Picasso still life to the most frequently reproduced Degas dancer, the traditional spring exhibition at the Schmitt Gallery can boast not only an exceptionally long list of great names of the period it covers but exceptional quality as well. Galerie Schmit, 396 Rue Saint-Honoré (4260 3636). Closed Sundays and lunch times. Ends July 18.

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

Berthe Morisot: More than 40 oils, pastels, watercolours, crayons and sculptures retrace the development of the woman painter who, influenced at first by Corot, became a friend of the impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2. rue Miromesnil (426 55105). Opened all days except Sundays and lunchtime. Ends June 27.

ITALY

Venice: Ca Pesaro: American Art in the 60s from the Ludwig Museum in Cologne: Works by 25 artists, from Liechtenstein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Lewitt,

Continued on Page 21

Cinema/Nigel Andrews

Psychedelic view of a schizophrenic killer

White of the Eye directed by Donald Cammell
Chronicle of a Death Foretold directed by Francesco Rosi
Emma's War directed by Clytie Jessop
The Kindred directed by Jeffrey Obrow and Stephen Carpenter
Home of the Brave

David Keith in "White of the Eye"

Donald Cammell's *White Of The Eye* is a mesmerising mosaic of a film: a murder thriller with psychedelic visual effects, bits of mysticism, a schizophrenic killer and an even more schizophrenic taste in music (from *Pagliacci* to hard rock) and *dialogue* (part B-movie, part Burroughs). As bodies are sundered and suspense grows, the story is set in Arizona's old copper belt, where the sun beats down, the cacti bristle and abandoned mines lurk beneath the surface much like the trapdoors in the killer's own mind.

British film-maker Cammell, who first found fame when he wrote and co-directed *Performance* with Nicolas Roeg, has taken a novel by Margaret Tracy, *Mrs White*, and wreathed its story in busily expressionist visuals. There are zoom shots and crane shots; kaleidoscopic murder-scene montages of crashing glass and billowing blood; and frequent screen-filling close-ups of the unidentified killer's eye. Above all, Cammell has been fascinated, as only a foreigner could be, by the exoticism of the Arizona landscape. This is credibly a place where ordinary events could be distorted by a heat-shimmer of the mind: and where the young couple at our story's heart, hi-fi salesman David Keith and his blonde wife Cathy Moriarty, could amplify each other's jealousies and suspicions to the point of no rational return.

When a series of young women are brutally murdered and dismembered, tyre-tracks narrow the suspects down to 40, of whom Keith is one. But how, the film asks, could a *loving father* and conscientious breadwinner be taking knives to the local citizenry? Cammell delights in laying a trail of conundrums. The black homicide detective from Tucson (Art Evans) scents purpose behind the aesthetic disarray of the murder scenes. "Did you ever look at a Picasso, Lucas?" he asks his assistant. "Picasso my ass," replies Lucas tersely. But there is order behind the disorder. Indian signs: symbolically scattered clues; a hunter's expertise in killing and sectioning his prey.

Despite moments of ostentation and shock-horror cliché, the movie never loses its grip. At first we seem headed for a Roeg's gallery of ocular trickery from a less talented pupil: flashy cutting and elastic lenses bounce us back and *forth across* the threshold between reality and hallucination. But the characters develop a steady, compelling credibility. Keith is a "good old boy" with a swagger, a permanent grin in his sun-squinting eyes and a touch too much all-American exuberance for comfort. Moriarty, who played De Niro's velvety-vacant blonde wife in *Raging Bull*, is at first a doll-like housewife whose blandness spreads straight from the fridge: then hysteria muscles in and frighteningly animates the phlegmatic features. Even when the story ends in a turbulent, all-stops-out showdown—guns, explosions, Indian rituals—we feel Cammell has dug down far enough into the people and their souls to earn the right to a little crowning delirium.

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Less impressive is Francesco Rosi's attempt to map the murderous instincts in man's soul, *Chronicle Of A Death Foretold*, based on the novel by Gabriel Garcia Marquez. A mysterious wanderer (Rupert Everett) stops at a town on a big river, meets and marries a beautiful girl (Ornella Muti) and discovers on his wedding night that she is not a virgin. He promptly throws her back at her parents, whereupon the girl's brothers set out to kill her lover (Anthony Delon). The tale of gathering violence is told in flashback by the murdered Delon's friend, revisiting the town years later in the sère guise of actor Gian Maria Volonté.

This is a co-production with a vengeance. A Colombian novel, an Italian director, English, French and Italian stars, all dubbed into Spanish. The brain totters. So does the movie, seldom sure of its equilibrium as Rosi veers towards now Mediterranean histrionics, now towards a burnt-out stoicism à la Graham Greene, now — as the killers prowl into view in the dusty square—towards the ritualised action tropes of a spaghetti Western.

In my view the whole film would have been better as a spaghetti Western: directed with gunslinging poses and ominously fluting music by Sergio Leone. As it is, we get a pother of unhappily mixed styles and stars. Everett, long, pale and willowy, wanders with stricken élan through the story, but is at least odd enough to be interesting. Delon, handsome son of Alain, gets by on hereditary charisma. But the Italian contingent, Muti and Volonté, look hopelessly becalmed as the years pass, their hair grows powdery-grey and Marquez's *piquant fable turns into* a weird, wayward and seemingly interminable shaggy dog movie. All this from the director of works like *Salvatore Giuliano* and *The Mattei Affair*, movies that used to recut and reshape conventional narrative with dancing scissors.

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Dancing scissors would also be welcome in Clytie Jessop's *Emma's War*. A tale of growing up in bygone Australia, it somnabulates through the last years of World War Two, as our teenage heroine (Miranda Otto) negotiates the burgeoning mysteries of school and adolescence and boyfriends. She also learns about the horrors of war, when Dad returns from the Front minus a leg, and about the contentious virtues of pacifism from the young runaway "conchie" (conscientious objector) she meets one day while playing truant from school.

The only person she learns nothing from is Mum (Lee Re[illegible]), who spends her time hi[illegible] the amber fluids (Au[illegible]alian sherry in her case) while waiting for hubby's return. For the audience too, it is a long wait. The slow narrative dripfeeds its messages and the film increasingly resembles some identikit Aussie movie—of the nostalgia-plus-feminism school—somewhere between *The Getting Of Wisdom* and *My Brilliant Career*.

*

The Kindred is this week's collector's-piece horror film. "I think you're going crazy, in an imaginative kind of way," says someone to the hero (David Allen Brooks). Indeed so. Likewise the movie. Mr Brooks's scientist mother (Kim Hunter) has just died, leaving him with the thankless task of disposing of the hybrid brother she created for him. This thing—we cannot call it anything else—slithers, gargles, attacks at will and rains sperm-like jelly over everyone, including scientist Rod Steiger, who is wise enough to wear a hat. Can the creature be destroyed? Or will it live on to spawn a sequel? Jeffrey Obrow and Stephen Carpenter direct for controlled hysteria, which is more or less the response the film received at the Press show.

Home Of The Brave is science fiction of a different sort. Performance artist Laurie Anderson trips the light-show fantastic in this filmed concert with her avant-garde stagecraft and tender ballads about—well, there you have me. What *are* they about? God? Ecology? The end of the world? Motorcycle maintenance and Zen Buddhism? The artiste of the enigmatic plies her dimpled smile under exploding straw hair, and leaves you to join the dotted lines between Delphic utterances in song, dance and mime.

Peter Stormare and Marie Goranzon

Miss Julie/Lyttelton

Michael Coveney

The Royal Dramatic Theatre Company of Stockholm completes its visit to the National Theatre with just two performances of Ingmar Bergman's magnificent, sensual production of Strindberg's *Miss Julie*.

A familiar play, accompanied as here by an excellent plot summary in the programme, has no need of those nasty little simultaneous translation parking meters. I have never really listened to Swedish in the theatre before. It is full of spurts and hops and funny yodelling noises, very apt for expressing moods of anger, passion and desire. Sometimes it sounds like German slurped through a drain. Like so much in Strindberg, Swedish is a good yucky mess, a slab of over-ripe brie oozing away in the sun.

It is important to grasp this in order to appreciate the balletic precision and psychological sobriety of Bergman's *reading of the* text. As Martin Hoyle reported from the Edinburgh Festival last autumn, a dance aesthetic lurks beneath the detailed naturalism of the midsummer night's below-stairs larghetto of seduction and recrimination. Miss Julie's later confessions are prefigured in *the long scar that traces across* Marie Goranzon's left cheekbone (Bergman has restored a line scored out by Strindberg). The valet Jean, as played and virtually danced by the extraordinary Peter Stormare, last week's Hamlet, is the first to convince me of his past as a head wine waiter.

Taking his dinner prepared by the loyal Kristin, he shuffles a good bottle from the table drawer, draws the cork, smells it, pours, rolls it round the glass, inspects it against the light, drinks critically. Everything in this great performance *is similarly worked out*, be it a dependent nuzzle against Miss Julie's breast, a careening caress of her grey buttoned boot, the remnant of shaving cream left after an otherwise fastidious ablution that Kristin will tidy up; or the swooping descents on his spreadeagled prey, *groin buried in a pliant* hip and pelvis, locked as in a tango hold.

The scenery and costumes of Gunilla Palmstierna-Weiss lend the action the sort of historical actuality reminiscent of a Bergman film like *Smiles of a Summer Night*. The brilliant lighting by Hans Akesson is systematically graded to encompass the orange dusk of midsummer antics, the grey twilight *of* sordid liaison and the unforgiving harshness of a sunny morning; it reinforces the style of heightened realism. The irruption of revellers is muted, mezzo forte, a sinfonietta of giggles and sobs and numb drunkenness. The kitchen is scrubbed, grey, fitted out with *indoor shrubs and practical* brass implements.

Strindberg's proposed 90 minutes have been stretched but not strained to two hours. The genius of it all is that you believe all the emotional transitions have actually happened. Miss Goranzon rushes, livid and distraught, to vomit outside after having sex behind the locked door. Jean's physical motor is fuelled as much by *lust as class revenge, violation* on a kitchen table a tactic of political foreplay. But newer and rougher horizons are not easily stomached. Miss Goranzon relapses into a spasmodic fit long before her greenfinch is brutalised to expedite the getaway to Lake Como.

That exit is scuppered by the Genetesque return of the Master, Mr Stormare finishing as he started with a sinister display of servile rectitude. Too short a mention for the wonderful, reproving Kristin of Gerthi Kulle who, as has been widely remarked, restores the role and expands the usual duet to a fully vibrating trio.

A Midsummer Night's Dream/Regent's Park

Martin Hoyle

Caroline Smith's production of this year's *Dream* in the *Park* begins badly: slow, conventional, fitfully audible. On the first night one of the coldest evenings I remember in the Open Air Theatre added *precious little magic*. Things get better, however; if hardly exciting, the traditional approach is underpinned by solid virtues. The rain came down for the base mechanicals' play. Umbrellas went up. The audience stayed put. A fair number of old jokes and some new ones *added to the feeling of a shared* ordeal. The evening ended in triumphant good-humour and warm-heartedness. The Park had worked its midsummer magic again—though this time in near-winter temperatures.

This is surely the sort of production one might have seen over the past *half-century* in Regent's Park. Even the modern doubling of Theseus/Oberon and Hippolyta/Titania has been eschewed. The fairies melt into the terrain, so many green goblins with pixilated ears; and Simon Higlett's set hints at earth spirits everywhere, from the mossy statues to the twisted tree-trunks on the verge of taking human shape.

Apart from Oberon's rags—and Paul Shelley, though oives-dropping on all the mortals from the start of the play, is more a harassed executive than the sinister king of shadows—the characterisation is straightforward. Of the four lovers, Tom Mannion is authoritative as Demetrius and after a slow start Peter Doran gets some fun out of Lysander's sinuously posturing machismo, every inch a sexually complacent Latin who believes himself irresistible to Helena. The latter is a delicious part, especially as here played by Noreen Leighton with toothy *charm and ear-piercing* disgruntlement. Juliette Grassby's Hermia comes into her own with some nifty *rugger* tackles on her recalcitrant swain.

The mechanicals are nicely differentiated. Ian Talbot as Bottom is fairly routine and hampered by an attractively *naturalistic donkey head* (he has pretty hooves) which however muffles his voice. Haydn Jenkins's Flute, Thisbe in spite of himself, Craig Stevenson's sturdy little Snug and the faintly Gielgud-toned Quince of David Neal stand out. The unusually collapsible wall was very *funny*; and the French girls behind me seemed ecstatically determined to make amends for Voltaire's strictures on that barbarian, Shakespeare.

Ian Talbot and Lynn Farleigh *Alastair Muir*

Double Track/The Place

Clement Crisp

The Place has been transformed for the first production in a two-week season given by the Dutch experimental troupe, Dansproduktie. The audience sits facing a mirrored wall (where the dance area habitually is). Behind is a raised stage with, to our left, a bench on which sits a woman in a *day dress. Two video screens* above show a railway station, one with a woman sitting waiting for a train on an exactly similar bench, the other with an empty bench.

On the screen trains occasionally pass (their sound brilliantly caught) and the seated woman on stage—whom we see as a reflection—gestures, moves slightly, then begins to speak Samuel Beckett's "Text for nothing, No. 7." This is concerned with the ruminations of an immobile person whose alter ego, her imagination perhaps, is free to wander.

Then, in a brilliant theatrical coup, a second woman is seen on a bench behind the mirrored wall, moving in acute relationship with the other performer, while, on the second video screen, another woman sits waiting. Trains pass. A score by Louis Andriessen is played first on a harpsichord, then repeated with a piano doubling the harpsichord, then repeated a third time with added celesta and chimes, as cumulative as the structure we watch.

We are involved, in most skilful fashion, with the matter of the piece; the confrontation and conflict between inaction and intention to act, between waiting and the mind's activities as we wait. The two performers — Beppie Blankert, who is also the choreographer, and Caroline Dokter — are opposed, first by their appearance on separate stages, which can make one seem the dream *image of the other, and then*, when they are united on the stage behind the audience, as almost antagonistic forces.

At last the two women return to one bench. Nothing may seem actually to have happened, but the dancers, Beckett, Andriessen and the dazzling production have taken us along a double track to extraordinary realms of the imagination. The piece lasts an hour. It is an hour well spent.

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Arts Week

Dine, Stella, Noland and Paolazzi. Ends Aug 2.

Milan: Carlo Carra: (1881-1966) the first retrospective in Carra's home-city since 1963, concentrates on the works *from* the years between the wars, but includes his early futurist and metaphysical paintings, and the notable Funeral of the Anarchist, Galli of 1911, lent by the New York Museum of Modern Art. Ends June 28.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empie style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show *all aspects of his work*. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering *1910-70 is not well known* in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericianum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, *architecture and design*. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This [illegible] director Manfred Schneckenburger prsents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

SPAIN

Barcelona, Fundacio Caixa de Pensions: Inicis d'Una Collection. Ends June 30.

Madrid, Centro de Arte Reina Sofia, Santa Isabel 52 Raumbilder: 5 German *sculptors in Madrid*. Ends June 22. Also: American Dreams. 116 photographs by 35 photographers from 1880. Ends July 6.

Madrid, Cy Twombly, American artist living in Rome since 1957 exhibits his Conjuntio Oppositorium: 43 paintings on cloth, 68 on canvas and 20 sculptures dated 1952-86. Palacio de Velazquez and Palacio de Cristal *at the Retiro Park. Ends July 30.*

Madrid, 'Treasures of Madrid's Private Collections'. 90 paintings, dating XVth c. up to Goya's time, include Berruguete, El Greco, Murillo, Zurbaran, Guardi, Velazquez, Goya, Rubens, Brueghel, Mengs. Only some of the pieces declared as existing after 1986 tax exemption on fine arts, and a chance of seeing paintings unknown to the public. Real Academia de Bellas Artes de San Fernando, Alcala 13. Ends June 30.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that *explore* the artist's *experimental* media, methods and primitive inspirations. Ends Aug 23.

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

IBM Gallery: 98 paintings of pre-modern Viennese art from the second half of the nineteenth century includes works by Klimt, Romako and Makart; and 120 drawings show proposed and actual Washington government buildings. Ends July 11.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, *inlaid* woodwork, *rugs* and the imperial wardrobe. Ends Sept 6.

WASHINGTON

National Gallery: 81 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

TOKYO

Kandinsky: 100 works on loan from collections at museums in Munich, Paris, Moscow and New York. National *Museum of Modern Art*, Kitanomaru, near Takebashi Station. Ends Aug 9. Closed Mondays.

Ukiyoe of the Meiji Period (1868-1912). 80 prints portray the decades after Japan's opening up to the West as a kaleidoscope of clashing cultures. The jostling of Kabuki actors in sumptuous kimonos with Japanese beauties in frilled Western dress and imported technology though, produce the, by now, familiar incongruous mix that characterises Japanese culture. The enthusiasm for Westernisation is seen in the lively, often comical, prints and provides some insights into the unique beginnings of Japan's long and turbulent interaction with the outside world. Riccar Museum, Ginza. Ends June 28. Closed Mon.

Batik from Java: This superb exhibition of this textile art includes many examples of traditional work rarely seen outside Indonesia. Suntory Museum of Art (with splendid views over the city) near Akasakamitsuke subway station. Ends June 28.

Saleroom/Susan Moore

French pieces top £5m

Private collectors rather than dealers proved the fiercest bidders at Wednesday evening's sale at Christie's and provided both surprising and successes and failures. On offer was a rare accumulation of high quality French furniture and sculpture from a number of collections. The sale totalled £5,429,930 with 17 per cent bought in.

The star lot, a fantastically rare polychrome boulle bureau, inlaid with brass, mother-of-pearl and lapis lazuli to create dazzling Chinoiserie vignettes, more than doubled its estimate by selling for £1.21m. Despite its rarity (only one other similar piece is known) and its superb craftsmanship and condition, it is an extraordinary price for a piece of furniture and which is more likely to be German than French.

In contrast, the £660,000 found for the only signed version of Giambologna's Mars looked disappointing. The 15½-inch gilt bronze statuette was the most important work by the Mannerist sculptor ever to be sold at auction. It has left one private collection to join *another*.

The same anonymous buyer who secured the boulle bureau also paid £550,000 for a Louis XIV porcelain and ormolu mounted commode stamped by G. Dester. Once again it was a handsome price for a piece mounted with Paris rather than Sevres porcelain plaques and by a less than well-known maker. The *marriage of* wood and porcelain—not to everybody's taste—proved less successful on an exceptionally grand amboyna secretaire by Adam Weisweiler. Thought to achieve in excess of £500,000, it failed to reach its reserve. Equally unexpected was the £374,000 paid for a Louis XVI tulipwood and parquetry commode by Guillaume Beneman (unpublished estimate £150,000).

Hot on the heels of Christie's highly successful sale on Wednesday, the auction house yesterday launched a two-day sale of important French furniture and objects *of art, writes* Annalena McAfee. While the lots could not be expected to match prices paid on Wednesday, yesterday's sale got off to a good start making a total of £1,443,200 with 19 per cent bought in.

The top lot was a Louis XIV *ebony bibliotheque* with brass details, estimated at £40,000. The London dealer Partridge paid £63,800 for the piece. An Empire ormolu clock and matching barometer, each supported by a winged classical female figure, doubled their joint estimate when they went for £55,000 *to a private buyer*. A similar, larger, pair is in the collection of the Dukes of Bedford at Woburn Abbey.

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Great powers and the Gulf

WITH only one diplomat left in each other's capitals, Anglo-Iranian diplomatic relations have been reduced quite literally to the minimum. But it is certainly desirable, if it is possible, for Britain to avoid a complete break with a third Middle Eastern country, after Libya and Syria and especially with one as important as Iran.

Iran is important not only for commercial reasons, weighty though these are. It is also a major regional power, both in military terms and even more so through the influence of its revolutionary Islamic ideology. Above all it is one of the two belligerents in the most destructive and dangerous international conflict in the present world scene.

The five permanent members of the UN Security Council, of which Britain is one, have a special responsibility under the UN Charter to deal with such a conflict. In practice that responsibility has seldom been exercised because of the bitter hostility which has divided them from each other. But since last year there has been a slight improvement in the international climate, and the idea of some kind of joint action by the great powers no longer seems quite unthinkable.

In fact the delegates of the five powers at the UN have been quietly discussing what they can do, and have been surprised to find how much common ground there is between them. They agree, apparently, that a Security Council resolution calling for a ceasefire is desirable, but would be useless or worse if they are not prepared to follow it up in the event—virtually a certainty—that one of the parties, namely Iran, refused to comply.

Due reparation

They agree that they would have to be prepared in principle, to enforce it with mandatory sanctions—meaning in the first instance economic sanctions, notably an arms embargo. In London, however, there is some doubt whether such fine pledges would be implemented in practice. Would China, for instance, really stop supplying weapons to Iran, given that it claims not to be doing so now, even though Silkworm missiles and other Chinese-made weapons have been clearly identified by western intelligence? Or would the Americans themselves hold to their resolve once they saw the Soviet Union exploiting the UN initiative, as it surely would, to strengthen its own influence in the region?

Clearly part of the problem is that the Security Council, which at the beginning of the war called for a ceasefire without condemning the Iraqi attack or calling on Iraq to withdraw its forces, consequently stands very low in Iranian esteem. Iranian leaders have repeatedly called on the UN to condemn the aggressor and provide for his "punishment." While they might welcome (as Iraq also says it would) an inquiry into the origins of the war, it is most unlikely they would agree to a ceasefire until they were assured of the findings of this inquiry and promised that due reparation would be exacted from Iraq, probably including the removal of President Saddam Husain.

Side issue

This it is hardly in the UN's power to grant. It is therefore most unlikely that resolutions alone, however ingeniously worded, can stop the fighting. The great powers have to be prepared to act, but also to carry with them Iran's potential supporters among the non-aligned nations, which they can only hope to do if they retain at least some capacity for dialogue with both the belligerents.

The odds against success are high, and the Europeans are right to discourage Washington from rushing in to start the process before all the subsequent steps have been fully agreed among the Five and the assent of the non-permanent members of the Security Council (many of them inevitably suspicious of this sudden reappearance of an embryonic Roosevelt-ian world directorate) has been obtained.

America has had no direct relations with Iran since 1979. France and the Soviet Union are regarded with deep suspicion and hostility in Tehran because of their role as arms suppliers to Iraq. In the circumstances it can only be regretted that Britain and Iran have now quarrelled over a minor side issue, and it is surely right to try to prevent the breach from becoming complete or permanent.

Wrong exit from the farm crisis

AGRICULTURE MINISTERS of the European Community emerged yesterday from yet another all-night negotiating session to report a depressingly familiar deadlock over farm prices. Their failure this time to take the next step towards reform of the agricultural support system and resolution of the community's budgetary crisis can be blamed partly on the nasty dilemma they face on one particular commodity—cooking oil.

The choice is between creating another hole in the already overspent farm budget, or imposing a levy on vegetable and fish oils that will reopen the agricultural trade war with the US.

For the European Community is now reaping a bitter harvest from those waving fields of rape, soyabean and sunflower it so generously subsidised more than a decade ago. Oilseed production has multiplied three to five times, world prices have meanwhile fallen, and the cost of supporting farmers in that sector is already Ecu 4.5bn. When the new Mediterranean olive oil growers come fully into the system in four years, the cost will be closer to Ecu 6bn.

US retaliation

The European Commission's proposed solution is as unattractive as the problem itself—so unattractive, indeed, that the men in Brussels are suspected of creating this secondary crisis to concentrate ministerial minds on the primary one.

If the levy is introduced, US trade officials have promised to retaliate for any loss of market suffered by American farmers who currently export some $2bn worth a year of soya to the community. Developing country growers of palm or coconut oil will try to have the EC arraigned before the General Agreement on Tariffs and Trade for breach of its commitments. A levy would be doubly annoying for those Asian growers who enjoy no subsidy at all. Meanwhile European consumers will complain as the price of margarine goes up—perhaps by 10 per cent—along with prices of other processed foods in which vegetable oils are an ingredient.

The proposed levy is being presented as the consumers' contribution to a wider plan for tightening controls over production and penalising farmers who have escaped those controls in the past. Trading partners are being told that their traditional markets will be kept open and that they will be compensated for any losses.

Given that the community faces a budget deficit of some Ecu 5bn, even were the Commission's original farm price proposals, reducing farmers' incomes by up to 10 per cent, to be adopted, the need for an extraordinary levy can be understood.

Politically hampered

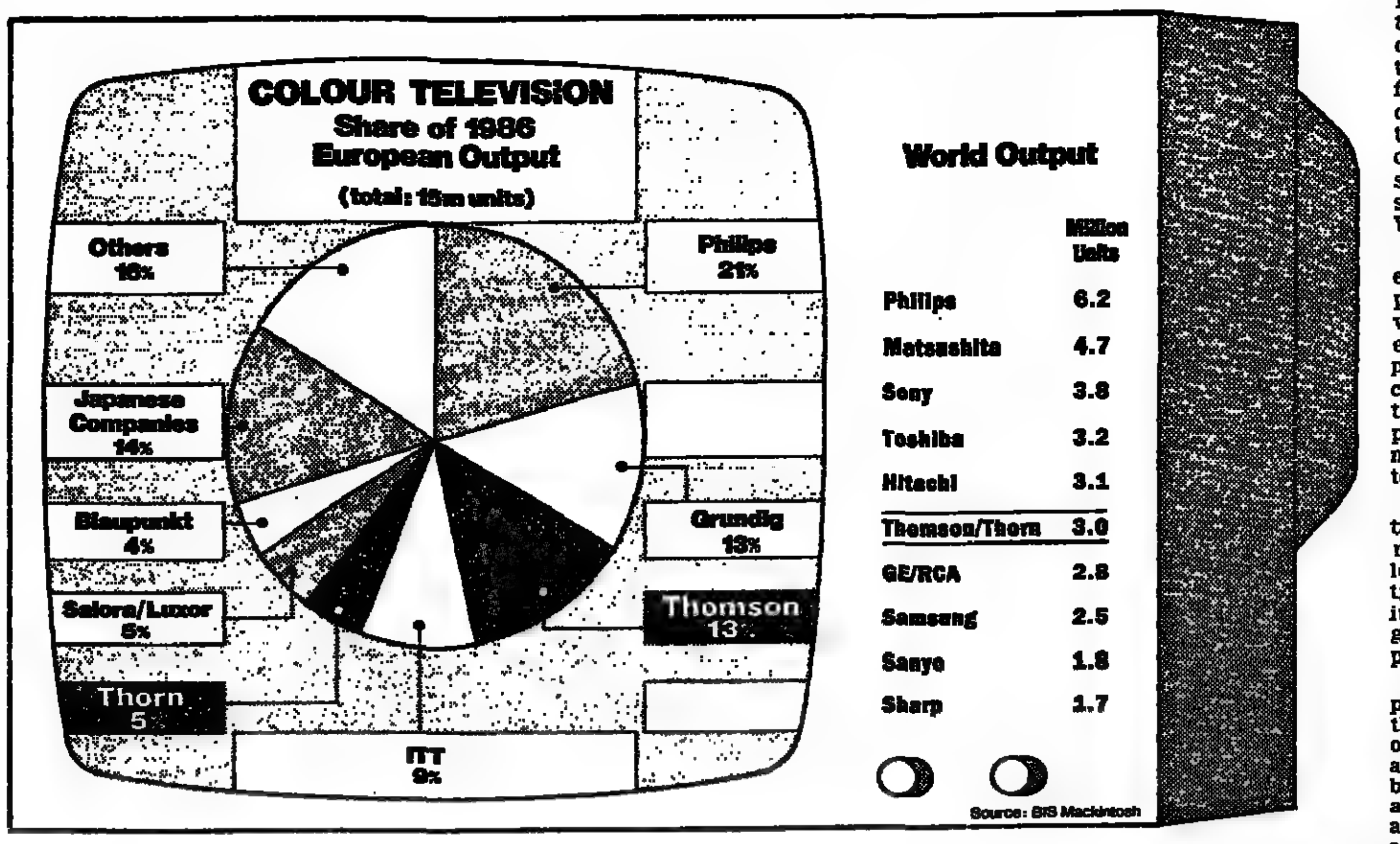
But, like the Common Agricultural Policy as a whole, the levy cannot fail to appear grossly protectionist to all agricultural suppliers outside Europe. The Americans, in particular, are coming to the conclusion that only trade sanctions will provide the necessary stimulus for reform.

Looking at the problem from within, it is obvious that countries like Greece, Spain and Portugal cannot be asked to sacrifice their farmers' livelihoods: after all, that is partly why they joined the community in the first place. But it is also obvious that even the richest member states, West Germany, Britain and France, are so hampered politically by their farm lobbies—and the connivance of their bureaucracies—that they are unwilling to bear the costs of reform either.

Reform in this case means finding some combination of price cuts to restrain output and income support to protect farmers from the transition that must eventually occur. Just as in declining sectors of manufacturing industry, the correct policy is to subsidise the worker, not the job, even if that means passing some of the social cost back to national governments. Brussels meanwhile wants to double community budgets for social and regional spending, a necessary part of the solution to the farm problem, but will not succeed until the farm budget is brought under control.

If reform will be precipitated only by a crisis, the question then is what kind of a crisis do we need. It is a measure of the desperation in Europe that the prospect of a trade war should be seen as a form of salvation.

The Thomson-Thorn EMI deal



Against the odds

By Guy de Jonquieres

THE £90m acquisition of Thorn EMI's brown goods division by Thomson is a further step in the long-drawn out rationalisation of Europe's consumer electronics industry. It leaves the French state-owned group and Philips of the Netherlands together in control of more than half the total European production.

The deal underlines a growing trend among producers in a wide range of European industries to seek improved economies of scale by acquiring marginal suppliers or merging with competitors in neighbouring countries.

This trend has accelerated in the past 18 months. In telecommunications, France's CGE has acquired control of many European subsidiaries of ITT of the US; in semiconductors Thomson has agreed to merge most of its interests with SGS-Ates of Italy; while Olivetti of Italy has strengthened its position in electronic typewriters and office systems by buying Triumph-Adler in West Germany.

Recent examples from other sectors include the string of pan-European takeovers in white goods manufacturing by Sweden's Electrolux, the acquisition by Britain's ICI of SES, a large Belgian seeds producer, and the sale of Leyland Trucks of the UK to Daf of the Netherlands.

As an early victim of Japanese competition, consumer electronics was one of the first European industries to be struck by the cross-frontier merger wave. It first surfaced in the late 1970s in West Germany, a relatively open market where a fierce price war had brought much of the industry to its knees.

Thomson moved in, buying television set manufacturers, Saba and Nordmende, and Telefunken and through its Videocolor affiliate, the television tube interests of Telefunken. In 1982, it bid for control of Grundig, the West German industry leader, in which Philips had a 24.5 per cent interest. When the deal was blocked by the German cartel office, Philips took management control of Grundig and raised its stake to 31.5 per cent.

With generous French government support, Thomson has invested heavily to modernise and streamline its European manufacturing facilities. But its trans-national consumer electronics strategy lacked one vital element: access to the British market, the largest and most buoyant in Europe.

Despite repeated attempts to crack the UK market, Thomson's share never exceeded 1 per cent. According to BIS Mackintosh, a market research firm, the deal with Thorn will give Thomson 16 per cent of the British colour television market and 18 per cent of total European television sales. That compares with European shares of 21 per cent for Philips and 13 per cent for Grundig.

Thomson is expected to switch most of Thorn's tube purchases to Videocolor, which is believed to have excess capacity. That is likely to be a blow to Philips, which at present supplies most of Thorn's large screen tubes from its plant in County Durham.

Will Thomson's latest move be enough to secure it a solid future in consumer electronics? Not long ago the company, which is due to be privatised by the French Government, appeared to be hesitating about the direction of its pan-European strategy — and even whether it wanted to stay in the business at all.

Its doubts appear to have been quelled by a strong recovery in profits over the past year due to improved productivity and the transfer of some production to low-cost sites overseas. But many analysts still expect it, and most other European manufacturers, to face a rough ride.

Sales of colour televisions, half of which are for replacement sets, are growing by only 2 to 3 per cent a year and prices have stagnated in real terms for the past decade. "Price competition is cut-throat, it's absolutely horrific," says Mr Jim Bottoms of BIS Mackintosh.

Though trade protection has restricted European colour television imports to about 1m of the 16m sets sold annually, there is strong competition from on-shore Japanese plants, of which 10 are now in operation. Despite the rationalisation of the past few years, there is still excess capacity, with 48 set plants in production across Western Europe.

Fierce price competition also extends across other major product categories such as video recorders (VCRs), hi-fi equipment and compact disc players. *Philips* executives claim that, despite the rise in the value of the yen during the past 18 months, Japanese manufacturers have continued to lower VCR prices.

In view of these tough conditions, Thomson's renewed commitment to consumer electronics looks like a bold gamble particularly since, once privatised, it is unlikely to receive as much government support as in the past.

Two factors have undoubtedly played a major role in its thinking. One is that the opportunity to acquire the access to the UK market offered by Thorn was unlikely to recur and, if it were not taken, would almost certainly be seized by a competitor.

The second is that the consumer electronics business, as a major user of electronic components, has been a steady customer of Thomson's own semiconductor business, recently merged with SGS-Ates of Italy. This in-house demand has not only provided a useful source of income for the semiconductor operation but has also served as proving ground for advanced chip production technologies.

The logic of this argument has been repeatedly emphasised by Philips, Western Europe's largest semiconductor maker. Philips insists that the consumer electronics industry is Europe's only large volume user of microelectronic components and that, if it were lost to Japanese competition, Europe's remaining chances of competing effectively in the world chip market would be seriously damaged.

Europe edges Britain out of the picture

By David Thomas

THE sale by Thorn EMI of Ferguson, its television manufacturing business, to Thomson of France marks another retreat by British industry from the challenge of global markets.

Ferguson, the brand leader in the UK, was once considered a jewel in the crown of UK manufacturing. Its sale leaves only one British-owned television maker: Fidelity, which with sales of 260,000 sets a year is in a different league.

Ferguson made 680,000 sets last year and is now producing at an annual rate of 1.1m. Yet its problem — the core reason why Thorn quit the business — is reflected in one figure — less than 10 per cent of its sales have been going abroad.

"It was a national business in a global market," Colin Southgate, Thorn's managing director, said yesterday.

The roots of Ferguson's trouble go back to the great days of Thorn, when the company was strong both financially and industrially. It used that strength to tie up its home base and Britain's traditional markets, rather than to tackle difficult propositions like selling into the Continent or the US.

It differed in this from companies like Philips of the Netherlands, which although it has suffered from the Far Eastern assault in consumer electronics, was in much stronger shape than Thorn. As late as 1979, well after the Japanese had eaten into European markets, Thorn believed annual output of 450,000 sets was enough to survive. Last summer, its top executives insisted that Ferguson had a future on its own.

That most recent optimism reflected the work put into turning Ferguson round after the disastrous year of 1984-85 when it lost £25m.

The company spent about £30m over the last two years modernising and re-organising Ferguson's two factories at Enfield, London and Gosport, Hampshire, introducing new models and slashing costs. The workforce was cut from 6,000 to 4,300.

Dr Jim Maxmin, the Thorn executive who headed Ferguson, claims that Ferguson's productivity is now approaching the best of its competitors. But it was not enough.

Thorn decided that much larger volumes were needed to support continuing research and development, to allow cost-effective component purchasing and to withstand the continuing onslaught of the giants. "During the course of last year, we came to understand that however efficient we became, if we didn't have overseas markets, we couldn't compete," Dr Maxmin explains.

Two other events turned that dawning realisation into certainty. Output during the crucial pre-Christmas period fell short of demand by about 90,000 sets. Then the competition, led by the Japanese, started cutting prices when Ferguson wanted to increase them.

Southgate insists that Ferguson is the last of the big divestments planned since he and Sir Graham Wilkins, Thorn's chairman, took over after a boardroom putsch in 1985.

...The basic reason was the same in each case, Mr Southgate says: Thorn was not prepared to spend the amount required to make them internationally competitive.

Thorn says it is now happy with its remaining businesses: its four core divisions of rental and retail music lighting and electronics; and three other smaller operations which it believes will grow strongly—computer software, security and Kenwood mixers.

Mr Southgate does not rule out further sales of peripheral parts of the empire and is still looking for a partner for Inmos, Thorn's cash-draining microchip manufacturer. But he says the company's concentration will now be four-square on expanding what is has left.

Thorn insists that the Ferguson sale, added to earlier disposals, is not a sign that the company wants to pull out of manufacturing to concentrate on its high-street operations, which have generated the lion's share of profits in recent years.

Yet there is no denying that Thorn, under Wilkins' and Southgate's leadership, has abandoned the vision both of the company's founder, Sir Jules Thorn, whose drive placed the company at the heart of British manufacturing and of Wilkins's predecessor Peter Laister, who saw Thorn as an integrated electronics group with global pretensions.

In retrospect, many now see Laister's vision as overblown and badly thought out. The new team has tackled fundamentals that were long neglected. The sale of Ferguson makes sense within their new strategy.

Yet it is nonetheless a further example of the restructuring of European industry happening, as in so many cases with only a minor role for Britain.

Men and Matters

Plessey's US find

Plessey's management team, overhauled and rejuvenated during the abortive bid from GEC, seems to be growing younger and younger. Yesterday, the company appointed a mere stripling, 39-year-old Stephen Walls from Chesebrough-Pond's of the US, to take over the finance director's job that has been vacant since Peter Marshall retired in April. Walls was welcomed aboard by Sir John Clark, Plessey's redoubtable chairman, as a "representative of a new generation of financial managers" who would help Plessey "at this time of transition."

Leeds-born Walls will have a tough job following Marshall, who was widely credited in the City with a central role in putting Plessey back into good financial order after a run of problems in the mid-1970s. But his appointment, which includes a seat on the main board, gives a significant clue to the new direction of the company in the wake of its escape from GEC.

Though his early career was spent in the UK, he has a long experience of international finance. Five years of this was in the US, where for the last two and half years he headed the finance function for Chesebrough during an extraordinary cycle of acquisitions and disposals.

These financial manoeuvrings eventually ended when Chesebrough was itself acquired by Unilever after contesting another bid from American Brands. Before that, however, Walls had helped plot the takeover of the Stauffer chemicals company, acquired entirely with debt in the current American fashion.

He then developed plans to pay the whole of the borrowings off within 12 months, and subsequently helped Unilever dispose of Stauffer to ICI — a deal which realised $1.6bn against an acquisition price of $1.3bn, as well as unloading $300m of debt.

Walls says that the Unilever offer represented a good deal for shareholders and that he could have stayed with the group. But from a personal point of view, the job with Plessey made more sense because the company was at "an interesting stage in its development." After dealing with healthcare products and chemicals at Chesebrough, he will now have to learn about a whole new range of electronic products.

What he will clearly not have to learn much about, on the other hand, is international finance and takeover strategy in the US—and that may come in very useful for Plessey in the months ahead.

"Any sign of a reduction in water rates?"

Apple turnover

John Sculley, the man who brought Apple Computer back from the brink of disaster in 1985, is about to add a new string to his bow — as an author.

Sculley, chairman and chief executive officer of the California-based computer company, has written a book, to be published in the autumn, about how fast-growing companies can deal with the adolescent traumas which beset them when they pass through the $1bn sales mark.

The secret lies in interweaving the disciplines needed to manage a large company with the entrepreneurial spirit fuelling the company's growth in the first place, Sculley reckons.

In London this week to see how Apple is doing in Europe, Sculley is well-placed to comment on this balancing act. Since joining Apple from Pepsi-Cola, Sculley has injected management disciplines into a company renowned for its laid-back style even in Silicon Valley.

Yet Sculley says Apple has kept its informality and sense of fun. "We still have no dress codes," he insists, rebutting reports that the only time employees put on jeans at Apple's headquarters nowadays is when journalists come round.

Li's lies

China has swapped its slogans for jingles and has welcomed the largest international advertising industry conference to be held in Peking.

The organissers explain that the gathering is "not just an advertising congress" — and they are quite right. As well as speeches on marketing and finance, the foreign delegates have provided their Chinese counterparts with an insight into the cocktail circuit.

The Sheraton Great Wall hotel ("China's Second Great Wall"—or so the blurb says) has done well out of the congress. Larger advertising agencies have booked its reception rooms day after day for post-match functions at which the people who make advertising what it is swap anecdotes about the proceedings.

So far, the highlight has been the appearance of the Chinese President, Li Xiannian, who is thought by most China-watchers to be a touch conservative. Nonetheless, President Li urged the delegates to do their work well and encouraged the foreign guests to see more of China to get an idea of how reform is changing the country.

In a closed meeting with senior organisers, the President showed that his grasp of the industry and its role is reasonable, though the 82-year-old has a few blind spots. Advertising, he told the elite group, does not have to be all lies.

Office oracle

I have not actually checked, but I am assured that a new reference book published yesterday will tell you the telephone number of Moscow airport as well as which country's currency is the Renminbi Yuan.

Which, I suppose, lends some credence to the claim that Chambers Office Oracle (£8.95), produced with the backing of the Royal Mail, is the most comprehensive reference book yet devised for the businessman.

Author Doreen Sharp has collated the work of experts in many fields for the book which includes advice on just about everything from writing *to the Queen to coping with* kidnap threats; from organising a conference to setting up a new business.

Chambers predicts that the Oracle wil become indispensable for any office. It does inform you of the date on which Taiwan marks the birthday of Confucius as well as how much it costs to send a parcel there—so it may well prove to be right.

By any other name

Talk of appropriate names. There is a magazine for those strong men who do idiotic things like pulling a bus with their teeth. It is called Strength Athlete. The editor is Wally Pullman.

Observer

POLITICS TODAY

Chancellor Lawson is ready to ride the tackles

By Malcolm Rutherford

BRITAIN is not about to become a fully participating member of the European Monetary System and is in no hurry to conduct a review of its position.

That is the first message to come out of the Treasury after the general election. The second is that there is unlikely to be any further relaxation of public spending. Indeed this year's review of public expenditure, already under way, is likely to be one of the toughest.

A third is that the principal weapon to control inflation for the foreseeable future will continue to be a relatively high exchange rate.

If there is a fourth, it is more *sotto voce*: the Government is more worried than it used to be about the possibility of a world recession slowing down the British growth rate.

Chancellor Nigel Lawson had a good election campaign. Not only did he come across as an attractive performer, capable of presenting all sorts of issues—way beyond the economy—in a *simple, intelligible* way; he also played a key part in rescuing the Tory campaign when it wobbled half way through. He switched the emphasis to attacking Labour's tax proposals, and it worked.

Mr Lawson is the only Chancellor of the Exchequer this century to have served a full parliamentary term and then been reappointed, apart from Mr Neville Chamberlain, who served from 1931-37 before becoming Prime Minister.

Pedants will say that the distinction also applies to Mr Denis Healey, but that is stretching it a bit. Mr Healey's first term lasted for only a few months between the two general elections of 1974. He is really remembered for his stewardship from late 1974 to early 1979.

So Mr Lawson has, if not the world, at least the British economy at his feet. Above all, he has time: time to get on with what he was doing before without the distraction of a general election on the horizon.

There is another factor on his side. One of the hallmarks of Mrs Margaret Thatcher's administrations so far has been the strengthening of the Treasury. Some people trace back the process much further. Mr Lawson says that it goes back to the late 1960s, when the *failure of Mr George Brown's* Department of Economic Affairs showed the fallacy behind the attempts to create an alternative economics ministry.

The idea that the Treasury can be downgraded is nowadays largely confined to the Labour Party, though for the Conservatives *Mr Michael Heseltine is* a notable—and lonely—exception.

My own view is that the turning point came in 1976 with the intervention of the International Monetary Fund which gave Chancellor Healey powers that he would not have been granted by the Labour Party alone. They may have been dissipated by the winter of discontent *in 1978-79, but the practice* of Treasury supremacy was taking hold.

In particular, under the premiership of the now Sir James Callaghan it was demonstrated that if the Prime Minister and the Chancellor worked together, there was not a great deal that the rest of the Cabinet could do to oppose them. The *other requirement* was a *strong* Chief Secretary to deal with the spending departments directly.

The public spending exercise may come as a shock to the public and to some ministers

All that was there for the Tories to pick up. In the early period of Mrs Thatcher's first administration, it did not work too well partly because the Chief Secretary, Mr John Biffen, turned out to have little stomach for expenditure cuts.

The situation improved when he was replaced by Mr Leon Brittan, though some of the rows he had with the spending ministers were remarkably bitter *and, while* they never came to much, there were shades of a Cabinet rebellion.

Mr Lawson did not get off to too good a start when he became Chancellor, at the beginning of Mrs Thatcher's second administration. His first Chief Secretary was Mr Peter Rees *and the Chancellor had no* say over his appointment. Very soon the Downing Street rumour machine said that he was *on the way out, though he* took a long time going.

His successor was Mr John MacGregor, an altogether tougher *character*. Mr MacGregor has now become Minister of Agriculture, where it seems that there are a lot of savings to be made.

Chancellor Lawson had no objections to his departure, and indeed told the Prime Minister at the start of the election campaign that *it was perfectly* reasonable that he should move to a ministry of his own. But he did say that he wanted another strong Chief Secretary: either Mr John Major, the Minister of State for Social Security, or Mr John Wakeham, the Chief Whip.

In the event, he got Mr Major and Mr Wakeham became Leader of the House of Commons.

Thus the stage is set for Treasury supremacy in action. There is a Chancellor and a Prime Minister working together — and a Chancellor to whom Mrs Thatcher owes some gratitude for helping to win the *election*. *There* is also a Chief Secretary of his choosing who has some knowledge of the intricacies of social security spending.

Mr Lawson's views of his role are *relatively straightforward*. He accepts that in any Cabinet there will be battles between the Treasury and the spending ministers. The Treasury will not always win, but it is vital that it should win most of them. *The difference between Tories* and Labour, he says simply, is that under a Labour government the Treasury usually loses.

There *is* another challenge, about to be put to the test. Historically, control over public *expenditure has operated by fits* and starts, usually in response to a crisis. When the crisis is over, expenditure *rises* again.

There *is* no obvious, immediate crisis today, so the trick is how to ensure steady discipline in order to continue *to bring down public spending* as a percentage of gross domestic product.

The estimated outturn for 1986-87 was 43 per cent. The plan for 1989-90 is 40½ per cent. It has not been changed.

So how is the Chancellor setting about his new term? Membership of the exchange rate mechanism of the EMS is not early agenda. It will be reviewed, but not yet. Mr Lawson attended a meeting of the European Community finance ministers in Luxembourg on Monday, where the future of EMS was discussed at France's request. There will be a longer discussion in September. The French position was rather like that outlined by Mr Edouard Balladur, the Finance Minister, in his Financial Times article (June 17) calling for increased monetary co-operation.

The trick is how to ensure steady discipline without an obvious, immediate crisis

The Chancellor claims that there was no overt request for Britain to join the exchange rate mechanism, and that the country can be a full participant in the debate about the development of the system without formally tying the pound to the *member currencies*.

Meanwhile, he believes that, after a few scares, last February's Louvre accord, designed to stabilise exchange rates, is now working. This language is echoed both by Mr Balladur and Mr Karl Otto Poehl, President of the Bundesbank. In Britain, a *high rate against* the D-Mark (nearly DM 3 to the pound this week) will be used to help contain inflation.

The target of zero *inflation* is still there, but for the rest it will be a matter of persuading employers and employees that the Government's track record in forecasting inflation *is* good, and so drawing the correct conclusion when it comes to pay bargaining.

The public expenditure exercise may come as a shock to the public and to some ministers. In last year's Autumn Statement, the Chancellor raised *spending* considerably *in* some areas: notably on education, housing, health and law and order.

That had the effect of stilling *any remaining opposition in* the Tory Party, taking the Opposition by surprise and probably helping to win the general election. In the election campaign the impression got about that the Government was sensitive to charges that social policy was under-resourced and *would be ready to provide more* this time.

The word is, however, that that is not strictly true. Indeed, the Chancellor is relieved that the campaign was short enough to prevent even more spending promises being made. From now on, priority will be given *to staying on the path of reducing* public expenditure as a percentage of GDP.

Mr John Moore, the new Secretary of State for Social Services, may be in for a particularly hard time, since it was the health service that was identified during the campaign as one of the biggest sources of public concern. The Chancellor thinks that this does not necessarily demonstrate the case for *much more money, rather for* a re-ordering of priorities within the service. In other words, it is a matter of re-organisation rather than funds.

Yet since Mr Moore worked with Mr Lawson both at the Treasury and at the Department of Energy, he may know what to expect. *Mrs Thatcher chose* him carefully.

The main hope is that the Chancellor has time enough in hand to risk unpopularity before more of the promised benefits materialise in the form of lower taxes. The main fear is that international recession will retard the prospects. Today's Economic Outlook from the OECD makes gloomy reading.

Lombard

Right choice at the SEC

By Richard Lambert

THEY WANTED a tough cop to patrol the canyons of Wall Street, gunning down insider dealers whenever they rode into view. *Failing* that, *they* would have liked a distinguished insider, perhaps the retired senior partner from one of the blue blood firms. In the end, however, the Reagan Administration has come up with an academic from Chicago—Mr David Ruder—as its nominee *for the new chairman of the* Securities and Exchange Commission.

Without prejudging Mr Ruder's ability to do the job, this seems like excellent news. A Wall Street insider, from no matter what firm, would have risked being embroiled in conflict of interest charges as the insider dealing net spreads further. In the current climate, he (there is no relevant she) would also have been subject to the *most intrusive personal* examination in the search for skeletons during confirmation hearings.

Appointing a bruiser as chairman would have been an even less constructive step. The place for the hard men in the SEC is within the enforcement division, where Mr Gary Lynch is already doing a very acceptable impression of Clint Eastwood. The attack on insider dealing is well under way, and will no doubt be continued under the new regime. But there is a real risk that a preoccupation with chasing criminals could divert the SEC from what seem likely to be much more important issues during the next few years.

On the domestic front, these include the proliferation of financial products and trading strategies, which have been promoted as a way of managing and controlling risk but which in some cases have had the opposite effect. One current example is the contortions which *the regulators have had to adopt* in an attempt to control today's "triple witching hour"—the volatile time when futures and options expire simultaneously. Another came earlier this week from First Boston, which decided to disband its proprietary fixed income desk after substantial losses incurred by traders operating *within* the firm's guidelines. "With the number of new products you have today, the problem is that you haven't seen how they act in all kinds of markets," the firm's president lamented. In addition, *financial innovation* has in some cases become a way of circumventing regulation. The SEC has to be concerned about whether existing disclosure requirements are still adequate, given the growth of positions and commitments which are carried off the bal*ance sheet*, and *often not even* reported.

The agency also has to improve its own internal administration, to put it on a par with the top Wall Street firms and to enable it to cope with a growing avalanche of paper. The number of registrations has more than doubled over the past 10 years, and there is some evidence that review procedures have become increasingly perfunctory.

The international challenge is at least as demanding, and here again shark catching is by no means the only item on the *agenda*. The US *will have to* take a lead in such crucial decisions as the level of capital adequacy appropriate for investment houses that are trading securities across the globe on a 24-hour basis. And it will have to manage the delicate balancing act required to encourage *efficient markets* in internationally traded securities without at the same time lowering important regulatory standards.

Most challenging of all, the SEC is going to have to adapt itself to a period in which the old regulatory pigeon holes are becoming increasingly irrelevant. Following that other new appointment in Washington, at the Fed, the debate about divi*sions between commercial* and investment banking is likely to become more intense. Given the changes that have already happened, the SEC's traditional emphasis on disclosure and investment protection needs to be broadened to include some of the central bankers' concerns with systemic shocks — where failures could ripple through the system, hurting investors as well as depositors.

It is a big job *for* the new chairman — and not one in which truncheons and handcuffs will be of that much use.

Letters to the Editor

Joining the EMS

From Mr R. Jackson

Sir,—The assertion by Mr Flight (June 16) that the UK will benefit from stable exchange rates is wrong and, if acted upon, will do great damage to *Britain's trading* and employment prospects.

The over-riding influence on the UK economy during the *next decade will be* the decline in oil production and the steady elimination of an oil surplus in our external trading account.

Our trading account will be brought back into balance by an improvement in the manufacturing and service sectors. The mechanism that will enable such an improvement to take place is a decline in the value of sterling against the currencies of competitor nations thereby making our goods and services more competitive on international and domestic markets. The implications for UK employment prospects are *clearly* favourable.

Set against this background it would be the height of folly to do anything to inhibit this beneficial decline in the value of sterling, yet this is exactly what advocates of joining the EMS are eager to do.

As part of the EMS sterling would still be devalued periodically at emergency meetings of European Foreign Ministers but before each devaluation there would be a long period during which the Bank of England would need to support the currency. Inevitably it would employ the *well-tried* tactic of high interest rates which are so crippling to industry.

The consequences to a country demoralised by periodic devaluations and handicapped by high interest rates are all too familiar. Growth would be restricted and unemployment unnecessarily high.

Let us hope that Mrs Thatcher and Mr Lawson have the vision and the courage to resist EMS membership so that the resurgence in our economy may continue unabated.

R. Miles Jackson.
3 Wooster Road,
Beaconsfield, Bucks.

The strength of sterling

From Mr W. Grey

Sir,—Paradoxically, on the same day (June 13) as you called for Britain to join the EMS exchange rate mechanism without further delay because, among other things, "the strength of sterling is something of an embarrassment," Mr Nigel Purchase argued the opposite case on the ground that "with UK wage inflation and unit labour cost inflation significantly higher than the rest of the world, the nominal exchange rate would have to fall continuously . . ."

Evidently, it had not occurred *to him that full membership* of a lower-inflation EMS would itself exert downward pressure on inflationary trends in this country, reducing and ultimately eliminating the need for periodic exchange rate realignments in nominal terms in order to keep the real exchange rate stable, whereas his own preference for "keeping all our options open" by staying out of the EMS would be *more* likely to accommodate and so perpetuate the underlying cause of the trouble.

Obviously, too, exchange rate stability, in nominal rather than real terms, involves greater fluctuations in interest rates, in both directions, than the more benign monetary and *fiscal strategy he* appears to favour. But this is a small and again, one hopes, diminishing price to pay for what, by any (micro- as well as macro-economic) reckoning, is an overwhelming (social and political as well as economic) benefit.

Even so, EMS membership *is* only a first, albeit a necessary and all-important first, step. Let me whole-heartedly endorse your concluding appeal to Mrs Thatcher now, after her historic victory, to "use her enormous international prestige to launch some of the imaginative initiatives which were so sadly lacking at the Venice summit" — notably, I suggest, something like another Bretton Woods and Marshall Plan combined, in both of which Britain played a decisive role the first time round.

W. Grey,
12 Arden Road N3

Third World debt

From the General Secretary, Fabian Society

Sir, — National Westminster Bank has now made greatly increased provision for its exposure in Latin America, and we can expect to see the other banks follow suit. But this belated recognition of reality begs a number of questions about Third World debt and the *British banks*.

How have bank auditors been able to endorse accounts as true and fair when exposure to Latin American debt has been so under-estimated? Why did the Bank of England not intervene earlier to ensure that proper provision was made — in the *interests of a stable UK banking* system? Why should less developed countries now pay interest at inflated Western rates on loans which UK banks implicitly recognise will never *be repaid in full?*

These are questions which have been raised by many reputable research bodies. Nor will increases in bad debt provision be enough. Unless there is an international solution to the problem of Third World debt, the crisis is only deferred. We believe that such a *solution* must include greater international liquidity, interest capping (perhaps with tax concessions so that bank do not bear all the cost) and debt relief for low income countries.

John Willman.
11 Dartmouth Street, SW1.

Pension fund surplus

From the Chairman and Chief Executive, Allied-Lyons

Sir,—May I seek to redress the mischievous impression created in the Lex column (June 17) about the Allied-Lyons pension fund, especially *for those readers who have not* seen a copy of our report and accounts, and would therefore be without the benefit of the "full picture."

It seemed to me apposite to comment in our report on the state of the fund, as a matter of considerable interest to our *shareholders* and employees. I spelt out that the surplus of some £200m at April 5 1985 (the date of the fund's last actuarial valuation) has been allocated to improve benefits provided for the membership, much of it in respect of pensions in course of payment, the remainder to improve *past service benefits for* industrial employees. This strikes me as the judicious equitable use of money rather than something at which to be jibed.

I indicated the likelihood of surpluses in the future, informing shareholders as well as pension fund members that these would be applied in a "fair and correct" manner. Fair and correct is the best way of describing how our pension fund trustees, half of whom are elected by the fund's members, allocate money in the fund.

May I emphasise that although the company is by far the major contributor to the fund, the relationship between company and fund is at a very long arm's length—legal independence is vested in the trustees.

I ventured that further surpluses would not be available *to predators*. A predator surely is just that, and shoud not be regarded as a "future shareholder."

A surplus only occurs, incidentally, if an amount of contribution greater than that required to pay benefits continues into the indefinite future.

There was also the matter of the Inland Revenue "cracking down on the practice" (of allocating *funds* to a pension scheme over and above the sums needed to secure liabilities). The casual reader should be forgiven for assuming that the Revenue is cracking down specifically on Allied-Lyons: it is not.

Then, "the basis of application of (future) surpluses . . . will be fair, correct and entirely obscure." Obscure seems a strange adjective to select to *describe the analysis of pension* scheme contributions and provisions for retirement benefits set out clearly in our accounts, which compare favourably in this respect with most other major British companies.

I was, frankly, disappointed with the balance of the cover given by a Great British paper to a Great British company.

(Sir) Derrick Holden-Brown.
165, St John St, EC1.

Doomsday means . . .

From Mr S. McKenna

Sir,—I was dumbfounded to read the arrogance and plain ignorance sported by Mr R. Morris (June 15) regarding the "Doomsday" prospect in Scotland.

While one might accept the *question of the legitimacy of* past Labour Governments to govern in England where they have been supported only by Scottish/Welsh majorities, one must highlight the absurdity surrounding Mr Morris's implication that England would somehow fare better without *Scotland*. *Whether* England would somehow fare better without Wales is another matter however.

It is felt that to list the many benefits England would lose if Scotland went its own way is a statement of the obvious. However, for the benefit of *Mr Morris*, a few are listed: the considerable contribution made towards the UK economy of Scottish oil; and a similar sized contribution to the UK economy of Scottish gas. If England were to lose these benefits at the price currently enjoyed not only would English industry suffer material increases in price, but Mr Morris himself would be faced with much increased petrol and heating bills.

I take this opportunity to make clear that the whole of Scotland did not vote Labour, and that not all of Scotland would prefer independence—no matter of degree.

Perhaps the most surprising point to arise from Mr Morris's letter is the fact that the *Financial Times* entertained such nonsense!

Scott S. McKenna.
192 Laird Street, Dundee.

FINANCIAL TIMES
Friday June 19 1987

Peter Ford reports on the military's response to popular unrest in Panama

Lessons in containing a crisis

"EACH TIME a crisis has erupted, we have thrown a cloak over the problem, and turned the page as if nothing had happened."

The admonishment is from Panama's Catholic bishops' conference, reflecting on the wave of unrest last week that came close to being a popular uprising against military strongman General Manuel Antonio Noriega. It goes to the heart of what has changed here in the past 10 days.

This time, say local politicians and diplomats, discontent with the military-dominated regime has gone too far and has erupted too violently to be quietly dismissed.

The riots that racked the financial district for two days, and a short-lived business-led strike, failed to unseat Gen Noriega, let alone change the system that gives the Panamanian Defence Force full sway over the government.

"Noriega has won a battle, but he hasn't won the war," insisted an opposition newspaper editor.

If the unrest highlighted frustration with the government, nominally headed by President Eric Delvalle, it also underlined the difficulties in the way of resolving those frustrations.

The widespread protests were sparked by allegations made by Colonel Roberto Diaz Herrera, the recently ousted army chief of staff, about Gen Noriega's role in the murder of political rivals and the fixing of the 1984 elections. But it quickly took on broader perspectives.

The businessmen and professionals who led the movement from the Chamber of Commerce headquarters spoke bitterly of the corruption that pervades Panama's government and the alleged vote-rigging that has denied the opposition a political voice since the late Gen Omar Torrijos launched his military coup in 1968.

Those concerns are broadly shared by the poorer sectors of Panamanian society, but last week's strike, called by civic and professional groups rather than a political party or trade union, exposed the opposition's organisational weaknesses.

Gen Noriega rode the storm by imposing a state of emergency which forestalled the creation of a broad social movement. But, more critically, the Panamanian army held together behind him and did not rally to Col Diaz, who was seen within the military as trying to compensate for having lost an internal power struggle with Gen Noriega.

"This is not the Philippines," Gen Noriega told reporters.

Only one name has emerged in speculation about who might eventually replace Gen Noriega – Col Elias Castillo, who moved up in the high command when Col Diaz was forcibly retired on June 1.

The key to the prospect for change, however, is Washington's position, which remains incoherent.

US State Department officials seem embarrassed, say diplomats and local politicians, by Gen Noriega's personal reputation and by the lack of democracy in a Central America ally at a time when the US Administration is berating Nicaragua for lack of freedoms.

At the same time, the Pentagon and the CIA appear to have too much at stake, both in Gen Noriega personally and in Panama's political system, to want to risk any upset in this vital strategic ally.

"The Americans have always seen security as their number one priority, and democracy came second," laments Mr Ricardo Arias Calderon, leader of the opposition Christian Democrats. "Now they are seeing that democracy is not additional to security, it is an integral part of security."

However, it is by no means clear whether this is anything more than a pious wish, as Washington weighs its interests in the Panama Canal and the nearby Southern Command military headquarters.

Alarmed by the breadth of last week's discontent in Panama City's poorer districts, the Government's priority now, says Mr Ramio Vasquez, deputy leader of the official Revolutionary Democratic Party (PRD), "is to retain our base of support among the people."

This suggests the Government will halt efforts to push through cuts in the huge social security budget which have been demanded by the World Bank as a condition for the disbursement of a $50m second tranche of a structural adjustment loan.

Unless the terms of that loan can be renegotiated, Panama risks being deprived of further commercial loans, and of the chance to renegotiate its 1987 debt repayments. The 135 banks here showed no alarm during last week's revolt, but "the prospect of recurrent agitation is worrying," says one foreign banker.

Such a prospect seems likely, as opposition parties set about organising broader popular support and building bridges with the junior military officers who would be central to any change in Panama's political landscape.

Gen Manuel Antonio Noriega

"It is no longer just the opposition against the government", says Mr Arias Calderon. "It has become civil society against the military regime, but the political and civic opposition need to co-ordinate more closely before they can begin to provide a serious challenge to the military's role in Panamanian politics."

The politicians are aware that if Gen Noriega were to go, the question of the military's role in politics remains unanswered. A question mark would also hang over the fate of President Delvalle, whom Gen Noriega installed 18 months ago, having pushed Mr Nicolas Ardito Barletta, the elected president, out of office.

Ironically, one of the charges made against Gen Noriega was that he rigged the 1984 elections in favour of his candidate, Mr Ardito Barletta.

Channel Tunnel financing inches forward

By David Lascelles in London

THE CHANNEL TUNNEL took another small step forward on Wednesday night with the signing in Paris of a £72.5m ($118.2m) loan facility from a group of 10 banks. But this was only a stop-gap before the great task which still lies ahead: raising the £750m of equity on which the whole £5bn project depends.

The complex series of financings for this enormous undertaking is now expected to have five stages, of which the £72.5m loan is the third. There have been two equity issues (known as equity 1 and equity 2) which by the end of last year had raised a total of £256m from institutions as contractors who are building the tunnel.

The third stage was originally to have been the £750m equity issue (equity 3) scheduled for this summer. But after the Eurotunnel suffered its management upheaval earlier this year the new British co-chairman Mr Alastair Morton decided to push equity 3 back to late autumn.

Eurotunnel still needed more cash this summer, however, so there was to be a mini equity issued of about £75m instead, called equity 2a.

But it transpired on Wednesday that that plan, too, has been modified. Eurotunnel has now decided to cancel equity 2a and raise the £72.5m loan instead.

According to Mr Morton, the initiative for the switch came from French banks, who said it would be simpler and cheaper to raise a loan than to sell shares, because the latter course would have involved drawing up a prospectus and putting on a roadshow to attract investors.

Given the difficulty Eurotunnel had raising equity 2 last September, particularly at the UK end, this switch in tactics could suggest nervousness in the company about tapping investors just yet. But both Mr Morton and his French counterpart, Mr André Benard, denied this strongly, claiming that the loan was "a positive development."

In many ways it is. The terms of the loan provide for the banks to be repaid out of the proceeds of equity 3. They have no other security, so their loan represents an act of faith that Eurotunnel will be able to attract investors at the end of this year. As Mr Morton pointed out, the deal is akin to a direct investment by the banks.

The noteworthy point about the loan, which is being advanced in equal French franc and sterling amounts by leading French and UK banks, is that it also includes Belgamanche, a consortium owned jointly by two of Belgium's leading financial institutions, Societe Generale de Belgique and Societe Nationale d'Investissement, the government-owned long-term funding bank.

This commitment by the Belgians underlines their strong interest in the project – which tends to get forgotten with all the talk about London-Paris train journeys.

In practice, Eurotunnel may not need to draw down all of its new loan facility. The group has total cash of about £280m, of which it has committed about £160m. This leaves it another £100m to spend before it needs to use fresh money.

In order to boost the capacity of the underwriting banks, Eurotunnel has increased their number from 40 to about 50. The key additions are expected to be Barclays, Lloyds and Standard Chartered (NatWest and Midland are already in). The weakness of the British contingent had become a little embarrassing for a project of such supposed national importance, particularly given the strings of Japanese and European banks who had committed themselves to it.

Stage 4 involves the completion of up to £5bn of loans and standby facilities from the large consortium of international banks which Eurotunnel has assembled.

Disbursement of the loans will in turn depend on stage 5, which is equity 3. Although this momentous event is still many months away, Eurotunnel is already gearing itself up for it. The roadshows begin after the summer holidays in September and the issue will be in November or December.

This will be the acid test of Eurotunnel's credibility. However, this week's commitment by the banks, while still small compared to the tunnel's total needs, shows that some leaders are willing to take a bet on Eurotunnel successfully selling its shares.

THE LEX COLUMN

A week after the night before

If the wall of foreign money still had not shown up a week after the election there did not seem much point in scanning the horizon any longer. So when gilts were upset by *yesterday's mid-morning batch of* statistics showing considerable economic buoyancy, equities followed suit with a shakeout, taking the FT-SE index down 45 points at the worst.

Robust talk by the Chancellor on Wednesday night about the political need, *inter alia*, to facilitate finance for the extension of home ownership did not provide a reassuring background to the continuing surge in broad money growth, with M3 up a *full 2 points in May*. More unexpected was the strength of bank lending, when big inflows across the foreign exchanges ought to have boosted *domestic liquidity*.

What seems to be happening is that the banks are lending to building societies to top up the latter's flagging deposit growth. And Mr Lawson had seemed a wee bit complacent about the inflationary implications of the boom in mortgage lending, given the extent of the leakage of the money outside the housing market.

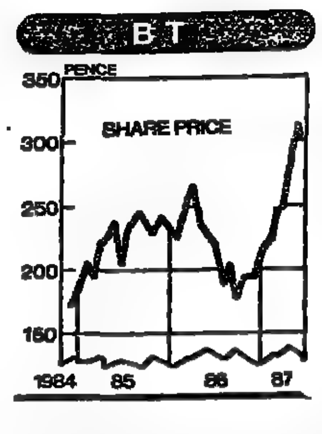
So, with the City's inflationary gloomsters raising their eyebrows at the uptick in growth in average earnings, it was a bad day for expectations of an early base rate cut. And the canny Japanese, if they are still out there somewhere, must be inclined to continue their waiting game, to the embarrassement of London's market-makers in both gilts and equities.

BT

The party is over for the BT share price but the hangover should be gentle enough. After the exaggeration of the company's growth prospects in the heady pre-election spin, the apparent refusal of the Japanese to fall for London's sales patter was bound to cause some slippage.

With the Government's remaining 3bn shares also casting a slight but discernible shadow over the market a period of underperformance would probably suit the authorities, providing them with the leeway to set the price running again at a more suitable time.

That may account for yesterday's presentational reticence which triggered widespread (albeit slender) slicing of estimates for the current year. The analysts have concluded that revenue advance for the next few years wil be stifled by a combination of politics ("if British Gas can cut prices why not BT") and Mercury, and that the cost base – especially labour and depreciation – will start to creep up, eating into margins and leaving earnings growth barely in double figures. Only "good" news on job cuts could have shifted this view that BT is just a boring utility after all.



But to expect the management to talk tough on jobs in the middle of delicate negotiations on productivity (with a new left-wing union executive) is absurd. If ungagged they could probably tell a moderately bullish story for medium-term growth. The combination of property sales and pension fund savings should more than compensate for rising rationalisation costs. And unless spiteful gestures (such as refusing the profit share bonus) sour relations there remains plenty of scope for turning rhetoric about management renaissance into something real. A prospective discount of close to 15 per cent ought to be at the worst end of the range.

LIG

The AIDS panic in the City of London reached ludicrous levels in February following the UK Government information campaign. Although stocks such as London International Group and Wellcome have retreated some way, they are ready to rise again on the slightest provocation.

LIG's preliminary results yesterday were pretty ordinary for such a premium-rated company – pre-tax profits up 12.7 per cent at £27.1m. Yet the shares ended the day better by 2p at 332p, despite the rest of the market's gloom, just because LIG said that condom shipments are up 40 per cent.

Undoubtedly that is good news for LIG and it will mean a high rate of earnings growth for the next few years. But it would be wrong to get the effect out of proportion. First, a large part of the sales surge just reflects stocking up by retailers, many of which have not sold condoms before. Second, LIG is pencilling in considerably higher spending: its marketing outlays will be far higher once the new TV advertising rules are worked out, its research and development programme is being expanded, and it needs to pay for capacity increases. After all, the product has been dull or declining market for years.

The attention is drawn away from the non-AIDS related parts of LIG, at least 70 per cent by turnover, which are mostly doing nicely too. Profits this year ought to top £33m to give a multiple under 19½. That is not expensive but no reason to get carried away.

S&W Berisford

The audio visual presentation by S & W Berisford yesterday was a textbook example of what to do when under threat. Not secretive, not a one man band, not a volatile earner proclaimed the electronic display. But it is a bit late to start such an exercise at this stage; there were two and a half bids for the business last year and it takes a long time to change a well-ingrained image. Nor did the company quite live up to its new image in explaining some of the details behind the interim profits.

Even so the management team is more impressive. British Sugar is clearly far more profitable than it was a year ago, and the property arm has picked the best of the market by concentrating on the City. Profits this year should reach £80m and the rating, with the shares up 4p at 369p, at around 11½ is not overburdened with bid speculation. A B Foods, with 23.5 per cent of the shares, can afford to let the Berisford management get on with it for the time being.

UK warns over SDI contracts

By Robert Mauthner, Diplomatic Correspondent in London

MR GEORGE YOUNGER, the UK Defence Secretary, yesterday sharply criticised protectionist policies and attitudes in the US which, he warned, could lead to demands for retaliation on the part of British companies.

Mr Younger's remarks, made in an address to the US Chamber of Commerce in London, coincided with the publication of a report by the House of Commons Defence Committee, expressing deep disappointment with the low value of contracts won by British industry for the US Strategic Defence Initiative programme.

A somewhat contradictory impression was given by the latest US Defence Department figures, which show that Britain last year overtook Canada as the largest supplier of defence equipment to the US, thanks to a rise in British arms exports from $597m in 1984-85 to $860m in 1985-86.

Mr Younger emphasised that the US spent only 2 per cent of its defence equipment budget off-shore, whereas Britain spent no less than 7 per cent of its budget in this field in the US alone.

Britain did so as the result of rational decisions even if some of these, like the cancellation of Nimrod in favour of the AWACS airborne early warning system, were not popular.

"All we ask is for our companies to be given similar opportunities," Mr Younger said, adding that he attached great importance to the fairness of competition.

Mr Younger said he was worried that the failure of "important and influential figures in Congress and elsewhere" to realise the true nature of the two-way street in terms of ideas, technology and equipment would lead to the erection of artificial barriers.

Gandhi suffers crushing defeat in Haryana state elections

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI, the Indian Prime Minister, last night faced the biggest personal setback in his short political career when his Congress (I) Party suffered a crushing defeat in a regional assembly election for the north Indian state of Haryana.

The scale of the Congress (I) defeat in Haryana became clear last night when a coalition of the Lok Dal (B) Party and the Bharatiya Janata Party won 39 of the first 46 seats declared and held leading positions in most of the remaining 41 constituencies. Congress (I) took only one seat.

"We wish the Lok Dal (B) leader, Mr Devi Lal, well, and hope that he will be able to fulfil the promises he has made to the electorate," Mr Naval Sharma, Congress (I) general secretary, said.

The size of the defeat will lead to questions about Mr Gandhi's future leadership of the party. But last night Mr Kamlapati Tripathi, an octogenarian senior Congress (I) figure, ruled out any change in the leadership or any question of splitting the party.

Mr Gandhi has now lost every significant regional election since he won a resounding general election victory with a landslide result at the end of 1984 after the assassination of Prime Minister Mrs Indira Gandhi, his mother.

A series of states have fallen to opposition parties since 1984, some such as Kerala, West Bengal and now Haryana because Mr Gandhi has failed to stop damaging factional splits in the state organisation of his party and because he has also failed in personal appeals to the electorates.

Haryana lies between the capital of New Delhi and the troubled Sikh state of Punjab where, in an apparent bid to impress Haryana's Hindu voters, Mr Gandhi suspended the Sikhs' Akali Dal state government and imposed direct rule from Delhi. But this move has not quelled the Sikh violence and killings, and the government does not appear to have any plans for a peaceful settlement of the crisis.

The defeat in Haryana is especially damaging to Mr Gandhi because it means that his electoral setbacks have spread to the northern Hindi speaking areas of India where the Congress (I) traditionally expects to win or at least put up a good showing in polls.

The Haryana result will further weaken Mr Gandhi's authority as a 'reforming' prime minister. His image has been steadily eroded in recent months, partly because of his personal style and partly because of other problems including allegations of official corruption.

But there is no other obvious contender for the leadership of the party and Mr Gandhi, as the heir to the long-standing Nehru dynasty, is so far unchallenged.

South Korean violence spreads

Continued from Page 1

tence imposed early in Mr Chun's government, has been under house arrest since April.

Late last night, for the first time since he returned to South Korea from the US in 1985, an interview with Mr Kim was broadcast on an American TV news programme beamed live to South Korea for the benefit of US forces stationed in the country.

Mr Kim said the people's feelings were so strong that he felt the country could become another Philippines.

In a statement issued by his supporters, Mr Kim appealed to the US to come down firmly on the side of democracy in South Korea.

"A military dictator is only influenced when the American attitude is strict and firm," the statement said. Only a clear intention to support democracy would enable a reduction of the rising anti-American feeling in the country, it added.

The US has 40,000 troops in South Korea. All American residents have been advised to avoid areas where demonstrations take place and ordered not to interfere in local politics.

The US State Department has issued a number of statements urging peaceful democratic change in the country, but is perceived by students and the educated middle class to be less than sincere in its commitment to genuine change.

President Ronald Reagan was reported yesterday to be considering sending a letter to President Chun urging him to call off his April 13 decision to suspend democratic debate, the move that is at the root of the present trouble.

Yesterday, as Seoul's leading newspaper warned in an editorial that the country's leaders must talk "before it's too late," the ruling party was waiting for Mr Chun's response. A spokesman said that it wanted to take into account the people's desire for stability and change.

If the President accedes to Mr Roh's request, the people, especially the middle classes, will have won a significant victory and Mr Roh will have some claim to legitimacy as a politician. As people struggled home through yet more clouds of tear gas last night, few could bear to contemplate the alternative.

World Weather

[illegible]

World economy 'at risk'

Continued from Page 1

This could add perhaps 1 per cent to Japan's national income. Even then, however, the stance of fiscal policy in Japan next year was expected to be slightly contractionary.

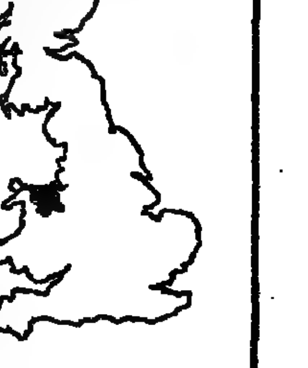
The organisation's analysis points to the need for further expansionary measures by both the Bonn and Tokyo governments if the rate of growth in the industrialised world is to reach a more acceptable level.

Its current forecast is for average growth of 2¼ per cent in 1987 and in 1988 across the OECD's 24 member countries. That compares with a rate "comfortably exceeding 3 per cent" which Mr Henderson said should be regarded as a realistic objective.

The OECD's medium-term projections also suggest that, on the basis of current exchange rates and policies, the huge US current account deficit and the parallel surpluses in Japan and West Germany will remain a serious problem well into the 1990s.

Mr Henderson said there were some bright spots in the outlook. Inflation remained relatively subdued in most countries, interest rates had fallen significantly, and recent indicators from Japan and West Germany suggested a pick-up in growth in those countries.

It was up to governments, however, to co-operate closely to translate these favourable trends into a more sustainable and balanced economic recovery.



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 19 1987

Salomon sees lower result in second quarter

BY RODERICK ORAM IN NEW YORK

SALOMON BROTHERS, Wall Street's largest securities firm, declined to comment yesterday on reports that it had suffered trading losses of up to $100m in the US bond market rout in April and May.

In a terse statement it said only that it would report a profitable second quarter, although earnings would be below those of the year earlier period.

In the three months to June 30, 1986, Salomon Inc., the parent company, reported net profits of $117m, or 78 cents a share.

Mr John Gutfreund, Salomon's chairman, said the New York Times headline reporting a $100m loss "was misleading" but he would comment only on the overall performance.

The story clearly identified the red ink as trading losses and quoted company officials saying the bottom line for the quarter would show lower profits.

Analysts began cutting their Salomon second quarter earnings' forecasts by as much as a half as rumours spread around Wall Street late on Wednesday that the firm had run up large trading losses.

The newspaper said, however that Salomon took most of its losses in traditional municipal bond markets.

Municipal bond prices fell further than treasury because of a sudden loss of liquidity caused by rapid growth of municipal bond mutual funds.

By using the funds, investors gained a new found ease of selling municipals which traditionally trade thinly.

Dealers could handle the wave of redemptions, however, and prices fell as much as one-sixth in a matter of weeks.

Some observers calculate that Wall Street firms, as a group, might have run up total losses in the spring on all forms of bonds of up to $1bn. The collapse in prices was compounded by ferocious volatility and low trading volume.

Nordisk Gentofte profits rise by 38%

BY HILARY BARNES IN COPENHAGEN

NORDISK GENTOFTE, the Danish pharmaceutical group which obtained a bourse listing in Copenhagen last year, has lived up to the forecast made in its flotation prospectus.

Pre-tax profits in the year ending March increased by 38 per cent to DKr 123m ($60m), while net earnings increased by 11 per cent to DKr 84m. Sales were up by 14 per cent to DKr 922m.

The group said that the present strength of the Danish krone, combined with rising wage costs, could affect the group's competitive situation.

However, it noted that the substantial investments made over the past few years, including DKr 99m in research and development and DKr 128m in buildings and equipment during 1986/87 paved the way towards a satisfactory result in the coming year.

Equity capital at the end of the year was DKr 688m, an increase of 52 per cent.

Pan Am lifted by rumour of Trump deal

By Anatole Kaletsky

STOCK MARKET arbitrageurs yesterday piled into the shares of Pan Am Corporation, parent company of Pan American World Airways, on signs that Mr Donald Trump, the New York property developer and corporate raider, was about to acquire indirect control over a 17 per cent stake.

The troubled airline's share price jumped 8 per cent to $6¼ in heavy morning trading, after its steady rise from the $4½ area where it was drifting two weeks ago.

For over a year, the Pan Am share price has been sustained by hopes of a takeover. These have recently been encouraged by the fact that Mr Trump appears likely to win control of Resorts International, a prominent casino company which has held a 12 per cent stake in Pan Am as a passive investment for several years.

However, yesterday's intense activity followed newspaper reports that Mr Trump had also accumulated a personal stake just below the 5 per cent level which would trigger Securities and Exchange Commission disclosure requirements.

This would give Mr Trump control of nearly 17 per cent of Pan Am's equity, once the Resorts acquisition was completed.

The most important remaining hurdle to the Resorts deal was cleared earlier this month, when Mr Trump's offer was approved by a Florida probate court, supervising the estate of Mr James Crosby, the founder of Resorts.

Nevertheless, some analysts expressed doubts about the plausibility of a Trump bid for Pan Am.

Although he was rumoured to have been a large holder of Allegis shares just before the airline and travel services company announced its recent corporate restructuring, his interest was mainly in the company's Westin hotel properties.

Offer made for Kwik Save

BY DAVID DODWELL IN HONG KONG AND NIKKI TAIT IN LONDON

DAIRY FARM, the Hong Kong food retailing, manufacturing and wholesale group, which was demerged from *Hongkong Land* last October, yesterday announced a £147m ($239m) tender offer for just under 22 per cent of Kwik Save, the Wales-based discount food retailer in Prestatyn.

The tender price – 450p a share – puts a £680m price tag on the entire group, almost identical to the sum paid by Argyll for Safeway's 132 UK stores last January. It ranks Kwik Save sixth, by market capitalisation, in the league of UK food retailers.

The Hong Kong company already holds 3.47 per cent of Kwik Save, picked up over the past few months. Mr Owen Price, Dairy Farm's managing director, is due to see Kwik Save directors in Wales today. Ahead of that meeting the UK group would say only that the tender offer could not be fully assessed and advised shareholders to take no action.

On the stock market, Kwik Save shares – which have already risen from 270p in mid-April – jumped another 36p to 426p. The tender, at 450p a share, will commence next Monday and close on Tuesday, June 30th. In the event of over-application, shareholders will be scaled down pro-rata.

Dairy Farm, however, stressed that the move was not hostile. In Hong Kong, Mr Simon Keswick, chairman, said that the group had no plans to increase its stake during the next 12 months although a full takeover in the long-term could not be ruled out.

"Kwik Save is the only company we have found that has the same sort of approach to retailing as we have. Because the company's share price was running away on the London Stock Exchange, we were forced to move more quickly than we would have liked, but we hope the approach will be percieved as a friendly one," he said.

Dary Farm has a 101-year history, but from 1972 until last year was a wholly-owned subsidiary of Hongkong Land. Both Dairy Farm and *Mandarin Hotels* Group have been hived off in the past nine months as part of a rationalisation of the land group carried out by its controlling shareholder, Jardine Matheson.

Dairy Farm controls the Wellcome supermarket chain in Hong Kong, which has about 140 outlets, and the Franklins supermarket chain in Australia, which had 144 stores at end-1986. It has a market capitalisation of almost HK$6.2bn (US$794m) at yesterday's suspended share price of HK$5.10. After-tax profits in 1986 were HK$288.7m – up 27 per cent on the previous year's figure. Sales rose 21 per cent to HK$10.2bn.

Both the Dairy Farm chains are amongst the largest retailing groups in their respective territories and share a "no frills" discount store philosophy with Kwik Save.

Although Kwik Save's share price rating had – ahead of the Dairy Farm interest – lost some of its early-eighties glamour, profits growth has been steady. The pre-tax figure rose from £19.3m in the year to end-August 1981 to £42.2m in 1985/6, on sales of £763m. Analysts forecast around £47m-£48m pre-tax in the current year.

Dairy Farm's move is seen as important because it is the group's first major strategic move since regaining managerial independence and because it would spread the group's operations into a third major territory. At present, profits are derived about equally from Australia and Hong Kong.

The deal will be financed by Dairy Farm placing 89m shares with Jardine Strategic Holdings, raising HK$450m by the sale of property in Australia and by raising a loan which would lift the group's net bank borrowings to no more than HK$2.2bn.

Dairy Farm goes shopping in Wales

THREE MONTHS ago, Mr Owen Price, managing director of Dairy Farm International, quit his Hong Kong base and took a trip to the slate-grey Welsh seaside town of Prestatyn.

There, at the headquarters of discount food retailer Kwik Save, the talk – say both sides firmly – was all about general trading. But when subsequent stake-building started to emerge – driving the share price from 270p in mid-April to 390p ahead of yesterday's announcement – it needed little imagination to guess the likely interest.

Now, Dairy Farm has unveiled a 450p-a-share tender offer for 25 per cent of Kwik Save, and the Welsh group is sure of a buyer.

What happens next? Mr Price has hopped on to another jet and is due back in north Wales today. The initial noises from Dairy Farm are conciliatory – "We're not Australian entrepreneurs putting companies into play for the short-term" – and yesterday no one at Kwik Save wanted to pre-empt discussions.

Certainly, from a retailing stand point, the tie-up is by no means as bizarre as a first glance suggests.

Dairy Farm, which started life in 1886 with a dairy herd as its single asset, is a HK$6bn (US$769m) retailing, trading and manufacturing group. Two thirds of its turnover come from Australia and one third from Hong Kong.

Until late last year, Dairy Farm passed almost unnoticed even in its home territory. Since 1972, following a fiercely-contested bid, it has been a wholly-owned subsidiary of Hongkong Land, the territory's largest property group.

The decision to demerge the company – part of the controversial rationalisation of Hongkong Land by Jardine Matheson, which emerged as the ultimate victor in a four-year power struggle between the two giants – has given Dairy Farm a new profile.

"Perhaps the most interesting aspect of yesterday's announcement is the evidence of Dairy Farm executives making a Dairy Farm decision," said one analyst in Hong Kong yesterday.

That may be a slight overstatement – Mr Brian Powers, a managing director of Jardine Matheson, and Mr Rodney Leach, a London-based director of Jardine, are prominent movers behind the tender. Moreover, the "princely Hong" still holds 35 per cent of Dairy Farm and if the deal goes through, will boost this to 39 per cent.

But the logic behind the Kwik Save move is as much a retailing strategy as a financing move. "I've looked at a number of retailing groups in both the UK and outside," says Mr Price, "and this is the most similar to our own philosophy."

Indeed, Kwik Save has become a bit of an oddity among UK food retailers – and one whose one-time glamour has looked a little faded recently. The current vogue in the sector is for large stores, added customer services and own-brands. It is a route where Sainsbury excels and others such as Tesco and Argyll are following fast.

Kwik Save's origins, by contrast, go back to the early 60s when Albert Gubay began selling discounted groceries from semi-converted chapels and old cinemas in north Wales. Mr Gubay has long left the business but his basic concept remains.

By end-August 1986 the company took in about 480 Kwik Save stores, 115 wines and spirits outlets and 50 Artic Freezer Centres, in total covering 2.6m square feet. By the end of the current year, the company's brokers L. Messel, have estimated outlet acquisitions to be 527, 160, and 72 respectively.

Perelman in fresh bid for Gillette

By James Buchan in New York

GILLETTE stock soared yesterday with an announcement that Mr Ronald Perelman, the aggressive US corporate raider, was renewing his advances to the razor and consumer products group with a proposal to buy the company for more than $4.6bn.

Gillette shares rose $2⅝ to $39⅝ in early trading with the announcement yesterday morning that Revlon, the beauty products group recently taken private by Mr Perelman, was seeking the Gillette board's permission to offer at least $40.50 a share for the company.

Under the terms of a standstill agreement reached last November when Mr Perelman dropped a $32.50 a share offer for the company, Revlon can buy no stock in Gillette for 10 years without the approval of the board.

Mr Perelman's new proposal, delivered in a letter to Gillette's chairman, Mr Colman Mockler, late on Wednesday night, puts intense pressure on Gillette's management.

Mr Perelman is understood to have lined up financing in the form of bank debt from Citicorp, with First Boston replacing Drexel Burnham Lambert as his investment banker.

Drexel Burnham, the specialist in high-yielding or "junk" bonds which financed Mr Perelman's fierce $1.8bn battle to take over Revlon in 1985, is precluded from financing purchases of Gillette shares for three years.

Gillette's stock, which was trading at $29¼ at the end of May, has risen strongly on heavy volume amid mounting speculation that a raider other than Mr Perelman was building up a holding.

Among the names mentioned as interested have been Mr Irwin Jacobs, the Minneapolis investor, Hanson Trust of the UK and Sir James Goldsmith, the Anglo-French businessman.

Outsider to head Danish bank

By Hilary Barnes in Copenhagen

COPENHAGEN Handels-Bank, one of Denmark's top two commercial banks, has for the first time brought in an outsider to take over as chief general manager, replacing Mr Bendt Hansen on his retirement in 1991.

The heir apparent is Mr Hans E. Hansen, aged 45, managing director of Nykredit, one of Denmark's two biggest mortgage credit organisations.

His appointment as a member of the board of management from September follows a period when the bank has lost ground to Danske Bank, its chief rival.

There have also been presistent reports of boardroom rows. Last spring Mr H. E. Johansen, who was responsible for the bank's foreign business, suddenly resigned.

Mr Bendt Hansen said: "It's a good thing to have a fresh breeze in from outside the organisation." The last time a board member had been recruited from outside was in 1961.

Mr Hans E. Hansen has no direct experience of banking. He has been an official of various financial and economic organisations before going to Nykredit in 1985.

"I had to say to the bank that they shouldn't appoint me if they were looking for someone who was good at banking," he said.

He hoped to bring his expertise to bear on strategic planning and contribute to organisation. He would only become chief general manager if he had proved by 1991 that he was competent for the job.

Ultramar looks towards C$40m profits target

BY ROBERT GIBBENS IN MONTREAL

WITH A a more stable demand for petroleum products, Ultramar Canada could post a 1987 net profit of about C$40m on sales of C$1.3bn (US$1bn) helping it to achieve its target of going public in the next two years, the company said yesterday.

When it bought Gulf Canada's downstream assets in eastern Canada in 1986, Ultramar had a net loss of C$10m on sales of C$1.5bn.

Ultramar said it would have spent C$30m by 1988 completing the conversion of Gulf stations to the Ultramar name. Its eastern Canada network now totals about 1,500 units.

"Though we still have plenty to do in shaping up the distribution system, we are also watching for an opportunity to enter the western Canada market," said Mr Nick di Tomaso, senior vice president for sales.

The cost of buying Gulf's downstream assets, C$185m including working capital, has been reduced by C$52m derived from disposals, including the chemical plants at the Montreal refinery.

About C$30m a year is needed for continuous upgrading of the distribution network, but Ultramar is also examining the future needs of its 100,000 barrels a day Quebec City refinery, where nearly C$400m was spent in the three years ending 1986.

Mr di Tomaso said the company was considering increasing refining capacity to maximise output of high value products.

Receiver takes over Sulpetro's affairs

BY BERNARD SIMON IN TORONTO

A CALGARY accounting firm has taken over the affairs of Sulpetro, one of several heavily-indebted western Canadian oil and gas producers, after the company failed to meet debt restructuring conditions set by its principal banker.

Royal Bank of Canada (RBC) called in the receiver after Sulpetro was unable to meet a June 16 deadline for obtaining tax concessions from the federal government. The tax ruling was a condition of the debt restructuring plan.

Sulpetro, with assets of C$365m (US$272m), had long-term debts of almost C$500m at the end of its last fiscal year in October 1986. The company suffered a C$276.4m loss last year, due largely to writedowns of oil properties and a loss on the disposal of its British interests. Oil and gas revenues dropped by 54 per cent in the three months to Jan 31.

Like many other Canadian energy companies which expanded rapidly during the 1970s oil boom, Sulpetro has been squeezed in recent years by high interest rates and falling energy prices.

RBC took an equity interest in the company as part of a previous restructuring in October 1984. Consolidated Bathurst, the Montreal-based forest products group, has a 20 per cent equity interest.

The latest restructuring plan provided for Sulpetro to issue non-voting shares to RBC equal to 50 per cent of outstanding common shares. The bank was to provide a term loan with a fixed repayment schedule.

Trading in Sulpetro shares was halted on the Toronto and Alberta stock exchanges on May 25. The company said that it has now asked for the shares to be suspended.

Hachette set for new record

HACHETTE, the French media and publishing group, expects a record 15 per cent rise in its profits this year, Mr Jean-Luc Lagardere, Hachette chairman, said yesterday.

Mr Lagardere told a news conference that Hachette's profits last year were FFr 565.4m ($92m) against FFr 431.7m in 1985, Reuter reports from Paris.

He said that Hachette was carrying out feasibility studies for the launch, around October next year, *of a nationwide daily newspaper.* Earlier this year it made an unsuccessful FFr 3bn bid for the state-owned television network TF-1.

In a letter sent to shareholders, Mr Lagardere said that 1987 was likely to be another record year for the company.

Hachette owns the Europe-1 radio station, about 60 weekly newspapers and magazines, and is also involved in printing.

It posted a FFr 14.7bn consolidated turnover last year against FFr *11.6bn in 1985.*

Arco may sell stake in offshoot

By Our New York Staff

ATLANTIC RICHFIELD (Arco), the West Coast oil company, is contemplating floating off to the public a part of its chemical business which is enjoying strong profitability after a radical reshaping.

Arco is reportedly considering the sale of Arco Chemical, which posted earnings of $61m on revenues of $463m in the first quarter of this year.

However, Arco has said that it would keep at least 80 per cent of the subsidiary. The board will not consider the proposal until Monday.

Last year, the company sold several marginally profitable plans in order to focus on its urethane and polystrene businesses.

Novo makes £8m bid for IQ (Bio)

BY OUR COPENHAGEN CORRESPONDENT

NOVO, the Danish pharmaceuticals and industrial enzymes manufacturer, has made an £8m ($13m) offer to acquire I. Q. (Bio) of the UK.

The UK company, founded in 1981 and based in the Cambridge Science Park, specialises in the development and production of diagnostic kits for detection of hormones and infectious diseases.

Novo also said the disappointing trend in sales in the first quarter had continued into the second. It blamed development on keen competition in Novo's main pharmaceutical products.

First-quarter group sales rose by 19 per cent to DKr 1.2bn ($175m) but most of the increase reflected the acquisition of Ferrosan, another Danish pharmaceuticals group.

Excluding Ferrosan, sales increaded by about 3 per cent for the quarter. Net earnings, including Ferrosan, improved by DKr 1m to DKr 122m.

These warrants having been sold, this announcement appears as a matter of record only.

Put Warrants issued by Citicorp Investment Bank (Switzerland)

30,000 Warrants

Put Bearer Shares of Brown, Boveri & Co., Ltd.

Exercise price SFr.1,600

1987–1988

Structured and managed by:

Citicorp Investment Bank (Switzerland)

Bank J. Vontobel & Co., Ltd.

May 1987

CITICORP INVESTMENT BANK (SWITZERLAND)

This announcement appears as a matter of record only.

SEK

AB Svensk Exportkredit

(Incorporated in the Kingdom of Sweden with limited liability)

SFr. 100,000,000

$4\frac{3}{4}\%$ Bonds 1987–1995/1999

Citicorp Investment Bank (Switzerland) S.G. Warburg Soditic SA

Bank Heusser & Cie AG Banque Paribas (Suisse) S.A.

Goldman Sachs Finanz AG Shearson Lehman Amex Finance SA

United Overseas Bank

Bankers Trust AG Banque Gutzwiller, Kurz, Bungener S.A.

Banque Indosuez Banque Kleinwort Benson SA

Chemical NY Capital Market Corporation J. Henry Schroder Bank AG

Morgan Guaranty (Switzerland) Ltd Morgan Stanley S.A.

Royal Trust Bank (Switzerland) Samuel Montagu (Suisse) S.A.

Banca Unione di Credito Banco di Roma per la Svizzera

Bank für Kredit und Aussenhandel AG Banque Bruxelles Lambert (Suisse) SA

Credit Lyonnais Finanz AG Zürich Dai-Ichi Kangyo Bank (Schweiz) AG

Deutsche Bank (Suisse) S.A. Interallianz Bank Zürich AG

Mitsubishi Bank (Switzerland) Ltd. Sanwa Finanz (Schweiz) AG

May 1987

CITICORP INVESTMENT BANK (SWITZERLAND)

This announcement appears as a matter of record only.

Aegon N.V.

SFr. 100,000,000

$2\frac{1}{4}\%$ Notes 1987–1992

with Amsterdam-Rotterdam Bank N.V.–10,000 Gold Warrants attached

Citicorp Investment Bank (Switzerland)

AMRO Bank und Finanz

Algemene Bank Nederland (Schweiz) AG Banca della Svizzera Italiana

Bank Julius Baer & Co. Ltd. Bank Heusser & Cie AG

Bank in Liechtenstein AG Banque Bruxelles Lambert (Suisse) SA

Banque Générale du Luxembourg (Suisse) S.A. Banque Kleinwort Benson SA

Banque Paribas (Suisse) S.A. Commerzbank (Switzerland) Ltd.

Dai-Ichi Kangyo Bank (Schweiz) AG Deutsche Bank (Suisse) S.A.

Goldman Sachs Finanz AG J. Henry Schroder Bank AG

Kredietbank (Suisse) S.A. Nederlandsche Middenstandsbank (Suisse) SA

The Nikko (Switzerland) Finance Co., Ltd. Samuel Montagu (Suisse) S.A.

Shearson-Lehman-Amex Finance SA Swiss Cantobank (International)

Swiss Volksbank HandelsBank N.W.

Morgan Stanley S.A. Sanwa Finanz (Schweiz) AG

June 1987

CITICORP INVESTMENT BANK (SWITZERLAND)

This announcement appears as a matter of record only.

General Motors of Canada Limited

SFr. 120,000,000

$2\frac{3}{4}\%$ Notes 1987–1992

with Citibank N.A.–12,000 Gold Warrants attached

Citicorp Investment Bank (Switzerland)

Banque Kleinwort Benson SA Banque Paribas (Suisse) S.A.

Deutsche Bank (Suisse) S.A. Kredietbank (Suisse) S.A.

Samuel Montagu (Suisse) S.A. Shearson-Lehman-Amex Finance SA

Swiss Volksbank

Bank Julius Baer & Co. Ltd. Swiss Cantobank (International)

Amro Bank und Finanz Bank Heusser & Cie AG

Bank in Liechtenstein AG Banque Bruxelles Lambert (Suisse) SA

Banque Générale du Luxembourg (Suisse) S.A. Banque Gutzwiller, Kurz, Bungener S.A.

Banque Indosuez, Succursales de Suisse BIL Banque Internationale à Luxembourg (Suisse) SA

Commerzbank (Switzerland) Ltd. Crédit Lyonnais Finanz AG

Dai-Ichi Kangyo Bank (Schweiz) AG Dresdner Bank (Switzerland) Ltd.

Goldman Sachs Finanz AG HandelsBank N.W.

J. Henry Schroder Bank AG Lombard, Odier & Cie

Manufacturers Hanover (Suisse) S.A. Merrill Lynch Bank (Suisse) SA

Banque Morgan Grenfell en Suisse S.A. Morgan Guaranty (Switzerland) Ltd

The Royal Bank of Canada (Suisse) Royal Trust Bank (Switzerland)

Salomon Brothers Finanz AG Sanwa Finanz (Schweiz) AG

Bank Sarasin & Cie S. G. Warburg Soditic SA

Algemene Bank Nederland (Schweiz) AG Bank J. Vontobel & Co. AG

June 1987

CITICORP INVESTMENT BANK (SWITZERLAND)

INTERNATIONAL COMPANIES and FINANCE

James Hardie earnings up 28%

BY BRUCE JACQUES IN SYDNEY

A SLIMMED down James Hardie Industries, the Australian building products group, has recovered from a static 1985-86 to record a 27.7 per cent net profit increase to A$60.6m (US$43.8m) in the year to March.

Restructuring continued during the period, with revenues down 4.3 per cent to A$1.5bn and asset sales reducing interest charges from A$45.7m to A$29.1m.

The annual dividend has been raised for the first time in more than half a decade, from 22 cents to 24 cents a share, following a strong second half in which earnings rose more than 40 per cent.

Restructuring was also evident in the company's extraordinary items where, against a A$31m loss last time, A$2.3m of profits were recorded. The previous loss, which largely reflected the sale of the company's troublesome Indonesian operations, had forced it to dip into reserves to pay the dividend.

In the latest year, however, a A$36.6m profit on the sale of James Hardie Containers and a further A$9.1m surplus on the disposal of other assets was sufficient to offset a A$26m loss on cessation of asbestos pipe manufacture and a A$15m goodwill write-off. Hardie bought 14 new companies during the year and sold nine.

Mr David Macfarlane, the managing director, said the result was achieved in difficult trading conditions. "The improved result reflects the benefits of continuing rationalisation and consolidation of Australian activities and expansion of our interests in the US," he said. "We have concentrated our resources on building up three core business areas—building products, paper merchanting and converting, technology and services."

Past losses and dividend rebates kept the company's tax bill to A$28.4m (A$29.9m previously), a tax rate of 31.4 per cent against the standard 49 per cent. Depreciation charges eased from A$34.6m to A$32.1m. Shares issued in the two-for-five bonus issue in May will not rank for the 13 cents a share final payout. The result lifted earnings per share from 30.5 cents to 37.8 cents.

Indonesia lifts stake in Asahan venture

BY JOHN MURRAY BROWN IN JAKARTA

THE INDONESIAN government has raised by Y32bn ($220.7m) its equity stake in the ailing Asahan aluminium plant, a joint venture with Japan which has a total investment of Y434bn.

Mr Ar Soehoed, head of the project authority, said yesterday the government had increased its share in the loss-making North Sumatra smelter from 25 to 40 per cent, through a debt for equity swap. "With the change in ownership the company's debts and production costs can be reduced," he added.

The plant comprises South-East Asia's largest aluminium smelter, with annual capacity of 225,000 tonnes, as well as two hydro electric power stations. The company recorded losses of 97.6bn rupiah ($59.4m) between 1982 and 1985, at a time of falling prices for the metal.

Despite a recent improvement in prices to around $1,450 a tonne, figures for 1986 are expected to put the company further into the red, with the impact of the higher yen more than offsetting any price gains.

The project's Japanese creditors, the largest being Japan's Export Import Bank, have agreed to roll over principal repayments on the company's debt put at Y320bn. Currency realignment is estimated to have added a third to the company's debt burden in dollar terms.

Nippon Seiko suffers 35% fall in profits

BY YOKO SHIBATA IN TOKYO

NIPPON SEIKO, Japan's largest manufacturer of ball bearings suffered a 35.3 per cent fall in parent pre-tax profits to Y7.07bn $48.8m) in the year to April as market prices for its *products fell.*

Turnover was down 1.8 per cent to Y246.24bn. Although net profits were 42.6 per cent lower at Y3.77bn, the annual dividend was raised by Y0.5 to Y7.5 per share.

The company came under heavy pressure to reduce selling prices from its customers in the automotive, consumer electric and industrial machinery industries which have all been hit hard by the yen's appreciation.

In the past year, the rise in the yen resulted in a 8 per cent fall in exports to Y30bn.

Nippon Seiko was a forerunner in establishing overseas production. In order to meet rising demand from Japanese makers following their own shift of production abroad, Nippon Seiko now plans to boost ball bearing output in its US, West German and UK plants. The company is considering a doubling of output at its British facility.

These measures will help Nippon Seiko to achieve a forecast 13 per cent rise in pre-tax profits to Y8bn, on a 3 per cent gain in turnover to Y255bn for the current year. The company plans a further rise in the dividend to Y8 per share.

Mazda in sharp decline after yen hits exports

BY OUR TOKYO STAFF

MAZDA MOTOR, the Japanese car maker in which Ford of the US owns nearly a quarter, yesterday reported a 68.6 per cent fall in pre-tax profits to Y5.03bn ($34.7m) in the half-year to April.

The sharp decline cames on *sales of Y804bn, down 4.2 per* cent, and was attributed to sluggish exports caused by the yen's rise. Net profits were down an even steeper 76.9 per cent to Y1.59bn.

For the full year, Mazda projects pre-tax profits halved to Y10bn, on sales of Y1,640bn, up 1 per cent. The forecast is based on an exchange rate of Y147 to the dollar.

Domestic sales are forecast at 360,000 units for the year, compared with 357,000 units the previous year. Exports are expected to rise to 1.12m units from 1.05m. Mazda's knockdown *exports are expected to increase* from 179,000 to 260,000 units, as it is due to boost supplies to KIA Industries of South Korea and a Mexican subsidiary of Ford.

The company is maintaining an interim dividend of Y3.5 per share and expects an unchanged year's total of Y7.5.

Ansett to buy 20% interest in America West

AUSTRALIA's Ansett Airlines is to acquire 20 per cent of America West Airlines for about US$31.5m, agencies *report from Sydney.*

Sir Peter Abeles, managing director of Ansett Transport Industries, its parent, said it would exercise an option to purchase 3m new America West shares for $10.50 each, in a deal to be finalised in July.

He said Ansett would become the largest single shareholder in what he said was the fastest growing airline in the US. America West is based in Phoenix, Arizona.

Under the terms of the option agreement, Ansett would have the right to maintain its 20 per cent position in the event of future stock sales, but could not go beyond that unless so requested by America West.

America West would retain the right of first refusal if Ansett offered any of the shares for sale. Ansett would gain a board seat.

Ansett Transport Industries, which operates one of the countries' two major domestic airlines, is owned equally by TNT, Sir Peter's transport group, and Mr Rupert Murdoch's News Corporation.

The Australian government this month announced plans to deregulate the country's airline industry. Ansett could thus face new domestic competition.

Sale and leasebacks boost Swedish shipping line

BY SARA WEBB IN STOCKHOLM

TRANSATLANTIC, the Swedish shipping line, returned to a small profit after financial items of SKr 4m ($630,400) in the first four months of 1987, compared with a loss of SKr 37m in the corresponding period last year.

The group said that full-year earnings are expected to exceed last year's figure of SKr 7m, in spite of the tough conditions in the shipping sector.

The main reason for the better figures stems from the *fact that Trans-Atlantic sold off* most of its vessels to limited partnerships last year and subsequently leased them back. Income from interest and dividends boosted the profits and this is expected to continue during 1987, the group said.

Operating costs increased by 2.5 per cent, despite the group's cost-effectiveness programme, chiefly because of the increase in charter hiring costs.

Transocean, the European liner business which accounts for about 80 per cent of group turnover, showed a considerable improvement in performance despite tough competition, the group said. However, Transatlantic's offshore business division is still showing a loss, though the group said that it began to show a profit at the end of April due to the more profitable operations of one of *its offshore platforms.*

● Swedyards, the Swedish state-owned engineering and shipbuilding group, has decided to change its name to Celsius Industries on September 1.

Swedyards has wound down its shipbuilding activities and now concentrates on offshore, underwater, and energy technology.

Its Kockums Marine company, which is chiefly involved in underwater technology and engineering projects, is developing the new generation of submarines for the Swedish navy and recently (as part of an international consortium) won a breakthrough overseas order from the Australian Navy for six submarines.

Swissair sets up golfers' timeshare apartments

BY JOHN WICKS IN ZURICH

SWISSAIR is to develop a specialist timeshare apartments business by setting up a company to be known as International Golf and Country Residences.

This is to create a chain of some 12 so-called "Gold Residences," to take the form of apartments adjacent to existing or new golf courses. The apartments will be rented to members of a planned management company, International Golf and Country Residences Club.

The airline envisages some 8,000 to 10,000 members, focusing on locations outside Switzerland. The members will be part of a timeshare programme, paying an initial fee plus annual charges for maintenance and upkeep with a right to use club facilities for a specific number of days per year.

The first four residences are to be sited near Cannes and Aix-la-Provence in France, at Blainroe in Ireland and in the Swiss resort Ascona.

INTERNATIONAL CAPITAL MARKETS

Eurosterling issues hit by UK bank lending figures

BY CLARE PEARSON

SHARP FALLS in Eurosterling bond prices following the release of UK economic statistics provided the main feature of the secondary Eurobond market yesterday, while issues for some Japanese banks also fell sharply.

Eurosterling bond prices fell by nearly a point at the long end, and about ½ point in the five-year area, in sympathy with the gilt market as dealers seized the opportunity to take profits provided by figures showing higher-than-expected bank lending in May and a rise in the rate of increase of average earnings.

Yesterday's figures were not viewed as unduly bearish for the interest rate outlook but dealers, disappointed by the failure of overseas buying to emerge in the wake of last week's general election, now seem to be on the look-out for bad news.

Retail selling of Eurosterling bonds, however, seemed to be light. Dealers said the wide yield margins that these bonds are providing over gilts was making most accounts inclined to hold for the moment.

Prices were generally slightly easier where changed in the Eurodollar fixed rate bond market, although more substantial falls were seen among the issues for Japanese banks. This was triggered by Wednesday's announcement that Moody's was reviewing the credit ratings of four big Japanese banks.

Price falls amounted to around ½ point during the morning, although most issues recovered later on as the feeling grew that the sell-off was overdone.

Among recent Eurodollar issues, a seven-year $125m bond for Prudential Funding Corporation was holding at prices just inside its total fees while a

INTERNATIONAL BONDS

$100m bond for Aegon slipped just outside this level.

The new issue market was inactive for most of the day, although towards the end of the session an Ecu 100m deal for the World Bank emerged under the leadership of Morgan Guaranty.

The seven-year 7¼ per cent issue, priced at 101⅛, came too late to be actively traded yesterday and dealers said the test of demand for the issue would come during the night, as it was mainly targeted at Japanese investors.

European demand for Ecu bonds has been very limited recently but Morgan Guaranty said it had detected solid buying out of the Far East of bonds for sovereign and supranational names.

In the Euroyen sector, Nomura International announced a Y10bn five-year floating rate note issue for NZI Capital Corporation, the issuing vehicle for NZI, the New Zealand insurance company.

The par-priced issue pays interest semi-annually at a rate of 60 basis points below the Japanese long-term prime rate, which currently stands at 4.9 per cent.

—Elsewhere in the Euroyen sector, a recent Y7.5bn six-year bond for Korean Electric Power was quoted as low as eight points below its issue price. Dealers said its unwieldy issue size, and the fact that is incorporates an annual call provision, accounted for the lack of demand for the issue.

The West German markets were again closed for a public holiday yesterday.

In Switzerland, prices were unchanged in thin volume. A SFr 300m 10-year 2 per cent equity warrants issue for Nestle Holdings, the Swiss company's US arm, closed its first day's trading at 100¾, compared with a par issue price.

● Sandoz, the Swiss chemicals company, is raising around SFr 300m ($200m) through an issue of 25,000 new bearer shares to be placed internationally.

The issue represents a 3.7 per cent increase in the company's share capital and a rise of nearly 50 per cent in its outstanding bearer shares.

UBS (Securities) is leading the offering, which will be priced at the closing level for the shares on or before June 25.

Ontario fixes date for Big Bang

BY BERNARD SIMON IN TORONTO

THE ONTARIO provincial government has given final approval for the first phase of sweeping reforms in Canada's financial markets, due to begin on June 30.

The decision by Ontario, which has jurisdiction over the Toronto-based securities industry, clears the way for the *lifting* of present *limitations* on the ownership securities dealers. Canadian banks and other financial institutions will be allowed to acquire up to 100 per cent of a securities dealer from June 30. Foreign buyers will be limited to 50 per cent until mid-1988.

Federal legislation confirming the Ontario rules by conferring powers on banks, trust and insurance companies to buy securities firms is expected to be passed by parliament before the end of the month.

The Ontario Securities Commission disclosed that 12 US, British and Japanese groups have already applied for registration as securities dealers. They include Salomon Brothers, Goldman Sachs, Morgan Stanley, S. G. Warburg, Nikko Securities, Nomura Securities and Daiwa Securities.

Foreign firms setting up wholly-owned local subsidiaries will initially be limited to the so-called "exempt," or institutional market.

The next phase of Canada's Big Bang is due to be ushered in later this summer

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	[illegible]	[illegible]	[illegible]	+1¼	8.96
A/S Eksportfinans 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7¼ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	8.59
Austria 7¼ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.18
BP Capital 9⅛ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	8.72
British Telecom 7⅞ 96	250	[illegible]	[illegible]	[illegible]	+1	9.15
Campbell Soup 10⅝ 95	100	107	107½	[illegible]	[illegible]	9.21
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	8.72
Canadian Pac. 10⅛ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅛ 91	113	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 7¼ 91	150	95	[illegible]	0	+1	[illegible]
Citicorp 8¼ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	9.02
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7⅜ 92	150	[illegible]	[illegible]	[illegible]	+1	8.64
Credit National 9⅛ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	9.10
Credit National 7¼ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.47
Denmark Kingdom 7⅛ 92	500	[illegible]	95	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8¼ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	8.77
EEC 7 91	100	[illegible]	[illegible]	[illegible]	+1	[illegible]
EEC 8¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7¼ 93	200	[illegible]	[illegible]	[illegible]	+1	[illegible]
EIB 7⅝ 93 A	100	[illegible]	95	[illegible]	[illegible]	[illegible]
Finland 7⅞ 97	200	91½	91¾	[illegible]	+1	9.21
Finland 7½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10½ 91	100	106	106½	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Cred. 10¼ 00	200	[illegible]	[illegible]	[illegible]	[illegible]	9.79
Hoesch 7⅞ 92	100	[illegible]	[illegible]	[illegible]	+1	8.25
Hoesch 7⅞ 94	300	[illegible]	[illegible]	[illegible]	+1	[illegible]
Hoesch 8¼ 97	100	95	[illegible]	[illegible]	[illegible]	8.97
Liberty Mutual 8½ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	9.19
LTCB of Japan 8 91	100	97½	98	[illegible]	[illegible]	8.65
LTCB of Japan 8 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.09
Mercds.-Benz Cred. 7½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Fin. 7½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.23
Mutual America 7⅞ 92	100	95	95½	[illegible]	[illegible]	8.92
Norway Kingdom 7¼ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico Inc. 7⅞ 93	200	94	94½	[illegible]	+1	8.45
Qantas Airways 10⅛ 95	100	105½	106	[illegible]	[illegible]	9.32
Queensland Govt. 10⅛ 95	100	[illegible]	[illegible]	[illegible]	+1	10.32
Ralston Purina 11¼ 95	150	†107	109	0	[illegible]	10.21
Saab Scania 9½ 91	125	[illegible]	[illegible]	[illegible]	[illegible]	8.61
Saskatchewan 10¼ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.75

Canal Plus heads for Paris bourse

By George Graham in Paris

CANAL PLUS, Europe's only pay television channel, plans to float itself on the stock exchange in November.

The flotation will be the second stock market offer of a French television chain in six months, following the offer for sale later this month of TF1, the main national television channel.

Canal Plus, which shows a schedule mainly composed of feature films, now has around 1.8m subscribers who buy a decoder and pay a monthly fee to receive its transmissions. Profits are expected to reach around FFr 300m ($49m) this year.

The chain had a shaky start, but then rapidly picked up subscribers, partly because of a policy of showing soft core erotic films.

The company, set up over two years ago, is currently controlled by Havas, the recently privatised advertising agency. Other large shareholders are Compagnie Generale des Eaux, the water utility, L'Oreal, the cosmetics manufacturer, Societe Generale, the bank whose privatisation is now in progress, and Perrier, the bottled water company. Unlike TF1, Canal Plus has always been a private sector company.

Stockbrokers in Paris expect Canal Plus to be traded initially on the *second marche*, France's equivalent of the London unlisted securities market, as TF1 will be.

For TF1, however, the move onto the second market results from a question mark over its financial future.

The Commission des Operations de Bourse (COB), France's stock exchange regulatory authority, has attached a warning note to TF1's prospectus saying that the television chain could not be listed on the full market because it could not supply financial data which would allow its earnings potential to be evaluated normally.

The Government has already sold 50 per cent of TF1 to a consortium led by Mr Francis Bouygues, the construction magnate, and Mr Robert Maxwell, the British press baron. The consortium paid FFr 3bn for this stake, and the remaining 50 per cent must be sold to the public for at least FFr 1.5bn.

The second market includes in its ranks a number of companies which are significantly larger and more widely traded than most of *their counterparts* with full listings.

A recent change in stock exchange rules has now enabled some companies with only 10 per cent of their shares in the hands of the public to move to the full market.

Cap Gemini Sogeti, the computer services group whose market capital now amounts to nearly FFr 10bn, announced yesterday that it would be *moving* to a full listing from next Tuesday, transferring directly to the main monthly settlement market.

The company has been under discreet pressure from the COB to make the transition, since it was felt to be unsuitably large for the second market—originally designed for small and medium-sized companies.

Spanish paper group plans $433m offer

By David White in Madrid

SUBSCRIPTIONS open tomorrow for the biggest capital increase ever recorded on the Spanish stock markets, a Pta 55.02bn ($433m) issue by *Torras Hostench*, the resurrected paper group.

The company, whose principal shareholder is the Kuwait Investment Office (KIO), is offering one new share for each old Pta 1,000 nominal share at a price of Pta 15,000 each.

The operation is aimed at providing the group with a war chest for new investments and diversification, just five years after it ran into a debt crisis because of an over-ambitious expansion programme.

In 1983 Torras Hostench obtained court protection from creditors following heavy losses and the flight from Spain of its former chairman Mr Higinio Torras, who was involved in a banking scandal.

KIO bought a stake of just under 25 per cent in the company through a Dutch intermediary in August last year, for about Pta 7bn. Torras, which is based in *Barcelona*, has since taken over a state-controlled paper company in southern Spain, Pamesa, and absorbed another manufacturer, Inpacsa, which had been acquired by KIO.

Its aim now is to broaden the interests of the group in order to protect it from cyclical movements in the paper business.

Last year the group showed consolidated pre-tax profits of Pta 9.54bn on sales of Pta 33bn. Dividends have been resumed, with a total gross payout of Pta 960 a share.

Stock market purchases by foreign institutional investors have increased the total foreign holding in Torras Hostench's nominal Pta 3.67bn capital to about 70 per cent, according to directors of the company.

The subscription period ends on July 20.

Peter Bruce on Japanese bankers' reactions to a rating review

Tokyo unruffled by Moody's move

IT IS ALMOST too perfect. *Moody's Investors' Service*, the influential US credit rating agency, is considering downgrading four Japanese banks—just as London and Washington are trying to persuade the Japanese banks to align themselves with an accord which would commit them to strengthening their capital ratios.

Moody's said on Wednesday that it was placing Bank of Tokyo, Long Term *Credit Bank* of Japan, Mitsubishi Trust and Sanwa Bank under review for possible downgrading, and implied that this action was being taken because the Japanese banks might not be strong enough to weather sharp changes in their domestic and international markets.

The threat adds a dramatic new twist to complaints by US and British banks that their *Japanese* competitors have an unfair advantage because they do not have to cover as much of their lending with assets. The US and UK governments, which have agreed earlier this year on uniform capital adequacy standards, are trying to bring the Japanese into the same system. Moody's comments come as welcome reinforcement.

Mr Yusuku Kashiwagi: "Why pick on us? What about the Europeans?"

It is too early to say whether it will work. The Japanese banks will be embarrassed if their credit ratings are downgraded, but yesterday they seemed to come out fighting.

"It's no secret that Japanese capital ratios are lower than British or US banks," said Mr Yusuku Kashiwagi, chairman of the Bank of Tokyo, but he added that the Japanese had other *strengths*.

He meant the huge equity portfolios and real estate assets Japanese banks own—their so-called "hidden reserves"—and these go to the heart of the current negotiations between the US and Japan.

Mr Kashiwagi, for instance, claims that his own bank's current capital ratio (the percentage of outstanding credit covered by capital) is 3.6 per cent. But if just 70 per cent of its equity portfolio were to be included "we would be more than 9 per cent. Why pick on us? What about the Europeans?"

The Japanese Government has, in fact, instructed banks here to raise their present minimum ratios from 3 per cent to 4 per cent by 1990.

Japan has agreed in principle to join the US-UK accord. However, *the issue of whether to include* hidden reserves in the agreed capital ratios is still unresolved.

"The US and Japan are still debating what capital is," says Mr Kashiwagi. Naturally, the Japanese banks want their equity and properties included.

But, say sceptical analysts (and the British and American governments), a bank's equity portfolio is as much an asset as *a liability. If a bank were, say,* to lend a company money, that company's stock might rise, yet whenever the time came to repay, the stock might fall. And if banks were ever in so much trouble that they had to begin selling off real estate, the chances are that the property market would quickly soften.

If the Bank of Tokyo is any guide, the institutions named by Moody's are not going to react wildly to an eventual downgrading. *Mr Kashiwagi* pointed out that by naming banks in different market sectors, Moody's might be trying to say something about Japanese banks in general rather than single out any serious individual problems.

There seems little doubt, however, that the extra market pressure to strengthen the banks' capital bases can only speed up their entry into some *sort of deal with the* US and UK. They cannot be forced or threatened with sanctions by Washington and London over the issue.

The Bank of Tokyo, is, also, probably being picked on by Moody's because of its particularly heavy exposure in Latin America, which is well in excess of any other Japanese bank.

State seizes Californian S&L

THE CALIFORNIAN Department of Savings and Loan has seized control of Universal Savings Bank to prevent its debt-laden Australian owners from diverting assets overseas, state officials said, AP-DJ reports from Orange.

The unprecedented move taken this week was based on confidential information provided by employees of the company, which has $308m in assets. Mr William Crawford, the department commissioner, said.

The workers had expressed concern that Unity Corporation of Sydney, Australia, allegedly diverted funds or intended to divert funds to help reduce its debt, Mr Crawford added.

Unity, a diversified concern with interests in real estate and financial services, incurred $325m debt after its unsuccessful takeover bid for Humes, the Melbourne, Australia, building products company.

Mr Crawford said the department's action was the first time the state had taken control of an apparently healthy savings and loan (S and L). He justified the move as "preventative medicine" to ensure the S and L's financial integrity was not jeopardised by the problems of its parent

BankAmerica seeks $350m in Japan

BY YOKO SHIBATA IN TOKYO

BANKAMERICA, the financially hard - pressed San Francisco banking group, formally requested help from leading Japanese banks yesterday towards its financial reconstruction. It is seeking to raise $350m in Japan.

Mr Frank Newman, Bank America's vice-chairman, asked Japanese city, trust and long-term credit banks to buy $250m worth of subordinated bonds and $100m worth of preferred shares to be issued by the US bank on the Japanese capital market.

He was reported to have told Japanese bankers that BankAmerica needs to boost its capital base for future expansion. Mr A. W. Clausen, BankAmerica's chairman, visited Japan earlier this month and approached leaders of some Japanese banks for possible financial assistance.

The Japanese banks are expected to respond to BankAmerica's request for assistance individually after they have examined its proposals.

MoF relaxes MMC rules

JAPAN'S Ministry of Finance has carried its attempt to ease financial restrictions a step further by reducing the minimum amount of money market certificates (MMCs) and shortening the minimum saving period of large time deposits, AP-DJ reports from Tokyo.

It has cut the minimum amount of MMCs to Y10m from Y20m yen and reduced the minimum period of large time deposits to one month from three months, according to officials.

SEC options hearings

THE Securities and Exchange Commission has decided to hold hearings in September on a staff proposal to permit multiple listing of stock options on more than one exchange, AP-DJ reports from Washington.

The SEC also voted to ask the exchanges to postpone next week's allocation of options contracts among markets under a lottery system.

UK COMPANY NEWS

STRONG GROWTH IN RENTALS OF BUSINESS LINES

BT improves by 12% to £2.07bn

SIR GEORGE JEFFERSON, chairman of British Telecommunications, yesterday revealed that profits for the 1986-87 year had surged to £2.07bn at the pre-tax level.

That was an improvement of 11.7 per cent over the previous year's £1.85bn and bank on the figure anticipated by City analysts.

The final quarter contribution also improved by 11.7 per cent to £555m. Sir George said the overall effect on profits of the two-and-a-half week industrial action by staff during the quarter was not material with lower revenues being roughly matched by lower operating costs.

However, the dispute did prompt the directors to omit payment of the employee profit sharin gscheme this time—in 1985-86 employees shared £18m.

Turnover for the full year to end-March improved from £8.39bn to £9.42bn with the fourth quarter tally of £2.42bn showing an incerase of 8.4 per cent.

One of the main reasons for the improvement in sales was strong growth in rentals of business lines and private circuits, particularly in the City.

Sir George Jefferson, chairman of British Telecom

Operating profits for 1986-87 increased from £2.12m to £2.35m. Pre-tax profits were struck after deducting net interest charges of £282m (£267m) — last year's profits were before the employee profit sharin gallocation.

Tax accounted for £754m (£743m) to leave earnings per 25p share 3.8p higher at 20.9p.

A final dividend of 5.1p raises the total from 7.5p to 8.45p net.

During 1986-87 the volume of domestic calls went up by 7 per cent and those for international traffic by 11 per cent.

The year saw a 4,800 reduction in staff. A further decline of some 5,000 is forecast for this year with a bigger acceleration as modernisation comes through.

Investment in new plant and equipment exceeded £2bn for the first time. The figure should increase in the current year as Sir George was not expecting a slow-down in the rate of installation of digital exchanges.

Debt equity improved from 39 per cent to 33 per cent. Sir George said this could go up a little this year if the group decided to redeem more of its preference shares. He added that the group might also make some smaller acquisitions in 1987-88.

The chairman noted that the board recognised the challenge of meeting the growing needs and expectations of customers in an increasingly competitive and demanding environment.

He said in meeting that challenge BT intended to build on the success it had already achieved and also expand the new directions in which it had started to move.

Referring to the decision to suspend the employee profit sharing scheme following the dispute, Sir George said: "Our customers would not have understood if we had made a profit sharing distribution this year."

BT was the second former state-owned enterprise to have reported full year results this week—British Gas unveiled its preliminary figures on Wednesday.

See Lex

Maxwell could get £150m from disposals

By Raymond Snoddy

MR ROBERT MAXWELL'S British Printing and Communications Corporation is planning substantial disposals as part of a strategy to focus the company more tightly on printing and communications.

The BPCC chairman has decided that the packaging and labelling businesses will be sold—the first significant disposal the company has made.

The businesses being put up for sale because they do not fit in with the main trust of BPCC's strategy, are expected to raise about £150m.

An obvious candidate for such companies would be Reed International, which is disposing of its interest in paint, but expanding in publishing and packaging. Mr Maxwell bought Mirror Group Newspapers from Reed.

The money will be added to Mr Maxwell's acquisitions "warchest" which is now believed to be heading towards £1bn. In April, 30m shares were sold for around £100m, and earlier this week the company announced a £630m rights issue which was *fully underwritten*.

Mr Maxwell is making it clear that he intends pursuing his contested attempt to take over Harcourt Brace Jovanovich, the US publishing group. The Mirror publisher has also begun preliminary talks with another large international company on the possibility of merger.

It is not yet clear whether this is in addition to HBJ, or a fallback position if the HBJ attempt finally fails.

If Mr Maxwell is to achieve his often stated objective of turning BPCC into a company with sales of £3bn to £5bn by the end of the decade, then further acquisitions are almost certainly necessary.

Chloride recovers strongly and accelerates to £17m

BY RICHARD TOMKINS

Chloride, the long-troubled battery group, yesterday unveiled a sharp recovery in pre-tax profits from £500,000 to £17m for the year to March and announced its intention to become a global electrical energy group.

"Chloride has gone through eight years in the shadow of the valley of death," said Mr Kent Price, the recently-appointed chief executive. "We are out of that valley and the regeneration of Chloride is well under way."

In a surprise move Chloride also revealed that it had replaced Cazenove its stockbroker, with Wood Mackenzie and Rowe & Pitman as joint brokers.

Sir Michael Edwardes, Chloride's chairman, stressed that the parting had been amicable. He said Chloride's needs had gone beyond what a traditional broker could offer and it wanted advisers with merchant and investment banking connections to see it through the next stage of its development. Cazenove declined to comment.

Other key points emerging yesterday included the announcement that Chloride had ended the support bank arrangement set up at the time of its rescue in 1981.

out of India. *He said the company was discussing with a* number of potential partners the possibility of forming joint ventures to expand its business in India and south east Asia.

The group also announced plans to return to the dividend list through a compulsory early conversion of its preference shares. It will compensate the preference stockholders for the arrears on their dividends by issuing them with additional ordinary shares to the value of 50p for every preference share held.

Turning to the results, Sir Michael said that Chloride had concentrated during the year on cost reductions and efficiency rather than growth, while the result that pre-tax profit increased in spite of the fact that there was no increase in turnover.

Overall targets for the year had been met in all important respects not only in terms of profits but also cash flow from operations. The year-end debt/equity ratio remained at a healthy 36 per cent.

The management changes and restructuring announced in December 1985 had been largely completed and the new management team would concentrate on further improving the cost and efficiency base and the achievement of profitable growth.

Sir Michael said the three main goals now were to develop the global strategy while resolving the still problematic UK automotive battery operation and sharply improving cash management within the group.

Turnover of the continuing operations amounted to £267.9m (£263.2m). Divested operations accounted for £5.5m (£41.5m).

Operating profits improved by £9.1m to £23.6m and broke down as to Europe—UK £10.1m (£3m) and other £2.1m (£1.9m), America £1.3m (£0.6m) and overseas—Asia £9m (£9.4m) and Africa £3.1m (£3.5m). Central costs took £3.1m (£3.5m).

Pre-tax profits were struck after deducting exceptional debits of £2.9m (£8.1m) and interest charges of £4.8m (£7.1m) and adding in a £1.1m (£1.2m) share of associates' profits.

After tax of £8.3m (£7.5m), same-again minorities of £3m and an extraordinary credit of £1.2m (£1.6m) attributable earnings emerged at £6.9m (losses £8.4m).

Per 25p share earnings worked through at 3.4p (losses 9.4p) basic or at 2.9p fully diluted.

Juliana's makes acquisition and calls for £3m

Juliana's Holdings, contract discotheque operator, has agreed to acquire Jongor, which hires out tables, chairs and other furniture, for £3m, to be satisfied by the issue of 4.62m new Juliana's ordinary shares. A further £1.8m maximum may be paid.

As the vendors wish to receive cash following completion, the shares will be offered by way of a rights issue of one for every 4.107 ordinary, and one for every £8.84 nominal of loan stock held on June 25 1987 at 65p per share to existing holders. Morgan Grenfell will underwrite the issue.

Jongor's turnover has risen from £353,000 in the year to March 1983 to £2.1m in the year to March 1987. Pre-tax profits during that period rose from £33,000 to £503,000.

The further consideration will be paid in three tranches of £600,000 provided Jongor's pre-tax profits exceeds £450,000 in the nine months to December 1987, £700,000 in the year to December 1988, and £850,000 in 1989 respectively.

Soaring demand for condoms helps LIG advance by 13%

BY DAVID WALLER

A SURGE in demand for condoms, which offer the only recomended form of protection against AIDS, helped London International Group increase its pre-tax profits by 13 per cent to £27.1m for the year to March 31.

The results fell slightly short of City forecasts, but stockbrokers were encouraged by the fact that consumers and retailers have been clamouring for condoms in recent months and the shares rose 2p to close at 332p.

The company estimates that worldwide sales of condoms to individuals are up by 20 per cent since last year; shipments to retailers are up by 40 per cent.

In the UK, where LIG's Durex brand has 96 per cent of the market for condoms, the growth has coincided with the government's £20m anti-AIDS advertising campaign.

"All the taboos associated with condoms collapsed in 60 days," said Mr Alan Woltz, chairman and chief executive. "We're now dealing with one of the world's hottest consumer products." The impact on current year profits would be "significant," he said.

In 1986-87, research into AIDS also helped sales of the company's rubber gloves. Overall, profits for the health and personal products division rose from £14.38m to £16.57m on turnover of £125.64m (£115.14m).

A strong performance from the company's ColourCare photoprocessing businesses boosted the home products and services division, where operating profits rose 32 per cent to £10.43m (£7.91m), on turnover of £92.75m (£70.16m).

The contribution from Royal Worcester Spode, fine china makers, fell by more than a half to £1.48m (£3.58m). The company attributed this to the decline in the number of tourists to the UK following the US bombing of Libya, combined with marketing costs in the US.

Profit from the sale of shares in Wedgwood, for which LIG made an unsuccessful bid during the year, amounted to £4.64m after associated costs. This was offset by other costs and losses on the disposal of Haffenden Moulding, resulting in an extraordinary charge of £48,000 (£1.3m).

Interest payable was £1.36m (£1.81m). There was no gearing, as net cash amounted to £5m at the end of the financial year.

Tax was £8.99m (£8.85m). Earnings per share rose 16 per cent to 14.11p (12.13p). The directors recommend a final dividend of 3.65p (3.1p), making a total of 5.4p (4.6p) for the year.

Mr Woltz said that capital expenditure during the present year was budgetted to be £21m.

See Lex

Queens Moat expands

Queens Moat Houses announces that through its Netherlands subsidiary, Queens Bilderberg BV, it has contracted to buy De Ruitery BV for DFl 25m (£7.4m). This acquisition adds facilities of 177 hotel bedrooms.

Coloroll to sell three Crown House companies

BY STEVEN BUTLER

Coloroll, the wall covering and home furnishings group, yesterday put up for sale the three engineering businesses of Crown House, which it acquired in April for £88m in an agreed offer. Coloroll will keep the Crown House tableware division.

Mr Eric Kilby, Coloroll finance director, said yesterday that estimates for the value of the companies, which are in specialised businesses, ranged from £35m to over £50m, and that a price in the lower range would be enough to cover the costs of the acquisition, issue of new shares and carrying costs.

A number of approaches to purchase the engineering companies, together and separately, had already been received.

The largest company of the group, Crown House Engineering, had a turnover of £119m in the year to the end of March and profits of £3.7m.

Crown House Furse, involved in light engineering, lifts and steeplejacking, had profits of £1.1m on a turnover of £20.8m.

Crown House Zest, supplying ancillary equipment for heating, ventilating, air-conditioning and process industries, earned profits of £0.3m on a turnover of £3.7m.

Hawtin loss

Hawtin, protective clothing manufacturer, plunged into the red in the six months to March 31 1987 with pre-tax losses of £99,000.

This compared with profits of £632,000 in the corresponding period last year, and profits of £356,000 at the year end.

Hogg Robinson expands estate agency network

By Nick Bunker

Hogg Robinson, the insurance broking, travel agency and financial services group, has expanded its estate agency network to encompass 70 outlets by buying four offices in the Thames Valley operated by the Purdies partnership.

Hogg Robinson is paying the partners a consideration of £725,000, of which £116,000 is in cash and the remainder in Hogg Robinson shares. Purdies will make estimated pre-tax profits of £105,000 in the year ending September 30, and the net assets acquired amount to £53,000, Hogg Robinson said yesterday.

The purchase price is subject to adjustment to reflect any shortfall or surplus in net current assets at point of completion, Hogg Robinson added.

UK COMPANY NEWS

BET hits £157m with help from acquisitions

BET, the international services company, increased its pre-tax profit by 26 per cent to £157m (£125m) in the year to March 31 1987 with a 16 per cent increase from 17.1p to 19.9p in earnings per share.

All BET's main activities showed increased operating profits, except for electronics and leisure where growth in core activities did not quite compensate from discontinued leisure business and profit remained around £23m. The strong pound reduced the profit growth from United Transport International from 15 per cent to only 4 per cent in sterling terms, contributing £32.5m.

Initial, BET's industrial services company, made £59.3m profit, up 19 per cent as a result of both organic growth and acquisitions. Publishing profit rose by 18 per cent to £14m but the biggest increase came from construction services, up 57 per cent to £48.4m, where acquisitions in the UK, including HAT, contributed to a doubled profit from BET Plant Services.

The balance of operating profits between activities had, therefore, changed slightly, reflecting a vigorous acquisition programme in construction services, which now accounted for 26 per cent of total profits. Operating profits outside the UK now amounted to 31 per cent.

Overseas, operating profits from textile rentals and associated services increased by 23 per cent to £13.5m on turnover which was up 17 per cent. Some 40 per cent of the profit increase came from net exchange gains and 50 per cent from an acquisition in the US.

In terms of profit, the Netherlands continued to make the next largest contribution with another record year. Belgium, Spain and Ireland also showed substantial gains and Germany moved from loss into profit.

Profits from cleaning and waste disposal increased by 70 per cent to £9m, largely as a result of the addition of the HAT and Brengreen businesses.

Total turnover last year was up, 15 per cent to £1.7bn (£1.5bn) with share of associated companies contributing £116m (£141m). Operating profit was £172.5m (£140.9m) and share of profitless losses of associated companies amounted to £10.8m (£10.5m).

Invested income brought in £1.9m (£3.1m) interest deducted was £27.8m (£29.1m) and taxation took £43.1m (£36.1m); with minorities of £3.9m (£3.2m) profit before extraordinary items of £9.5m (£9.3m) came to £110.4m (£85.3m).

A final dividend of 6.5p has been recommended making a total of 9p for the year against 8p.

Crowther in £13m US move

John Crowther, the fast-growing textiles company, yesterday announced a major expansion into the US with the agreed acquisition of a 50 per cent interest in McCall Pattern, a leader in the US home-sewing business, for $21.5m (£13.1m) through an associated US company.

A total consideration for 100 per cent of McCall will be $63m, of which $33m is to be funded by borrowing, and it is envisaged that Crowther will acquire the remaining 50 per cent interest in four or five years.

Crowther plans concurrently to establish a New York office to import its products into the US.

McCall supplies about 12,000 retail customers in the US and Canada, with sales of $63m and profits of $10.9m in the year to the end of June 1986. It produces pattern designs for home-sewing with a team of designers in its New York head office.

Fillip for Suter over bid for Mitchell

By Mike Smith

Suter, the industrial conglomerate, yesterday received a fillip for its bid to take over engineering and chemicals group Mitchell Cotts when Imperial Life Assurance of Canada announced it had bought a 2 per cent stake in the target company.

Imperial Life, owner of a 1 per cent stake in Suter, picked up 2m Mitchell shares after Rushlake Holdings, the private company owned by the Jivraj family, sold 3.5m in the market. Imperial Life said it viewed the move as a cheap way into Suter and would be supporting the bid.

Mr Naushad Jivraj, Rushlake managing director, said his company still had 8.58m (8.98 per cent) of Mitchell. The disposals made commercial sense, he said. "I think Suter will win and I do not wants its shares."

The £70m Suter bid is paper only and values each Mitchell share at 76p. Mitchell shares closed last night at 71½p.

Mr Roderick Paul, Mitchell chief executive, conceded last night that the Rushlake sale was "*bad news but not critical news.*" It confirmed that Rushlake wanted cash for its shares, he said.

Scapa moves ahead to £34m

Scapa Group, the industrial holdings company, boosted pre-tax profits by almost 11 per cent from a restated figure of £30.92m to £34.27m on turnover up from £202.26m to £229.85m in the year to March 31 1987.

Mr Bill Goodall, chairman, said that the current year had started with active businesses and good order books and the company looked forward to maintaining the momentum of its progress. Figures for the year include former RFD companies which Scapa acquired in December last year.

The company proposed a final dividend of 4.71p—up from an adjusted figure of 4.05p—to give a total for the year of 6.81p (6.05p). Earnings per share rose from 20.2p to 22.2p.

He reported that the last year had been another year of growth, with the group showing a widening of opportunity for organic development of businesses through the acquisition of new companies.

Trading conditions in the company's main business areas supplying the paper industry and in technical and industrial textiles had been good during the past year and remained so with encouraging prospects.

Operating profits and turnover geographically show: UK, £10.7m (£8.36m) on £87.52m (£74.16m); N America, £22.23m (£20.45m) on £91.73m (£86.94m); and other countries £5.61m (£5.37m) on £50.6m (£41.16m).

Interest took £4.26m (£3.26m) and tax £14.66m (£13.53m). Minorities accounted for £157,000 (£108,000) and extraordinary expenditure £2.08m (£357,000 debit).

● comment

Last year was not a particularly easy one for Scapa: quite apart from an 8 per cent swing against the company in the dollar/sterling exchange rate, it suffered delays to the start-up of a new plant in Canada and had to bear the downturn in demand for its oil-based exploration products. Against that background, an 11 per cent increase in profits looked satisfactory and left the shares up 9p on the day at 309p. Current year prospects are bright, for Scapa derives three-quarters of its sales from the paper industry, and paper production in its key North American and Western European markets is 5 per cent up on the year. Competition is robust and there will be further exchange rate disadvantages if present levels are any guide, but with the first-time contributions from recent acquisitions and an upturn in the oil-related businesses, some £38m must be in sight pre-tax. Gearing is set to show a rise from 33 per cent to perhaps 36 per cent but the prospective p/e multiple of 12 looks undemanding for this little understood and soundly performing business.

Further expansion by Platignum

Platignum yesterday announced an offer to acquire Ouvah Highfield and said that it had received irrevocable undertakings in respect of 90.86 per cent of the company's ordinary share capital.

Ouvah is a public but unlisted company. Its business is associated with that of the Cheslett Coir Company. It is also involved in the letting of short-term offices from its headquarters in Lambeth.

There are 1,041,146 Ouvah shares in issue and net assets of the company are £1.09m compared to Platignum's year-end position of £3.86m. Last year Ouvah broke even on sales of £1.3m before extraordinary and exceptional items.

Last week Platignum announced that it had agreed to acquire the Cheslett Coir Company and Cherry Place, distributor and importer respectively of matting products and basket ware under the brand name Oaklea.

The move marks Platignum's further diversification away from its traditional manufacturing and marketing of writing instruments into the wider field of marketing and distribution of non-food consumer products.

DIVIDENDS ANNOUNCED

Archimedes Inv ...int	5.5	Aug 3	4.6	—	10.9
Bassett Foods	5.29	Aug 1	5.04	7.24	6.82
S. W. Berisford ......int	4	Oct 6	3.5	—	12
BET	6.5	—	6*	9*	8*
Brit Telecom	5.1	Sept 28	4.5	8.45	7.5
James Finlay	2.15	—	2.15	4.15	4.15
Robert Horne ......int	2	July 27	1.5	—	5
Johnson Matthey	3.5	Aug 3	2	5.5	2.5
London Intnl	3.65	Oct 1	3.1	5.4	4.6
Mansfield Brewery ...	6.75	Aug 12	6	9	8.25
ML Holdings	6.4	Oct 1	5.7	9	8
Scapa Group	†4.71	—	4.05*	6.81	6.05*
600 Group	3.44	Aug 3	3.44	5.78	5.78
Stoddard Hldgs	1.3	—	nil	1.3	nil
Unilock	1.2	—	1.15	2.2	1.98

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

UK COMPANY NEWS

FUTURE INDEPENDENCE REMAINS A PRIME CONCERN

Lower interest boosts Berisford

BY STEVEN BUTLER

S & W Berisford, the food and commodities group, yesterday reported a 6 per cent rise in pre-tax profits to £42.74m in the six months to the end of March, on turnover which increased from £4.89bn to £6.12bn.

Operating profits for the group, however, took a steep plunge from £77.86m to £67.97m, with the difference made up by lower interest charges. Analysts said they believed the overall quality of earnings had been lifted.

Berisford directors yesterday said that the group was moving rapidly away from its traditional dependence on commodities, adopting a diversification strategy that would improve the stability of its earnings growth.

Earnings per share, excluding profit on the sale of Rank Hovis McDougall, rose from 15.61p to 16.25p, while the interim dividend was increased from 3.5p to 4p.

The question of whether Berisford would maintain its independence somewhat overshadowed the reporting of results, with yesterday's presentation bearing all the marks of a concerted takeover defence.

"We are determined to remain independent and to move forward," Mr Henry Lewis, deputy chairman, said. "These results are a good indication of where we are going and how we are going to get there."

In February the Monopolies and Mergers Commission had blocked rival bids for Berisford by Ferruzzi and Tate & Lyle, both of which were interested in the Berisford subsidiary, British Sugar.

Ferruzzi subsequently sold its 23.7 per cent stake in Berisford to Associated British Foods for £133.2m, and questions have been raised over whether ABF would attempt to acquire the Tate & Lyle stake and launch a bid for Berisford.

Berisford stressed the diversification of earnings and the reliance of the the group on four main divisions—food, commodities trading, financial services and property.

Growth was particularly strong in the food industries subsidiaries, where pre-tax profits increased from £14.55m to £27.21m. This has now overshadowed the merchanting and commodities trading activities.

The food division is dominated by British Sugar where operating profits grew from £26.6m to £40m. A programme of expansion and acquisition in the food division is to be announced shortly.

Pre-tax interim profits in the commodities and merchanting division plunged from £14.19m to £4.52m with poor performance blamed on difficult international trading conditions. The prior year's interim figures were boosted by exceptional gains in coffee trading, and the company stressed the progress that had been achieved from the second half of 1986, when there was a loss in the division.

Profits from financial services, which includes leasing money broking, insurance broking and investment banking in the UK and in the US, rose from £7.53m to £7.85m. Full year 1986 profits in this sector of £22.4m are unlikely to be matched because of a large one-off deal involving Waring & Gillow.

Profits from the property sector rose from £2.98m to £3.65m.

Profits in the industrial division of the group again fell, from £991,000 to a loss of £496,000. The industrial division is no longer seen as central to the group's growth strategy.

See Lex

Mansfield Brewery 4.6% ahead at £7.3m

Mansfield Brewery increased its pre-tax profits by 4.6 per cent from £6.97m to £7.29m in the 53 weeks to April 3 1987.

The total dividend is raised from 8.25p net to 9p with a final of 6.75p. Stated earnings per share improved from 27.9p to 30.6p.

Mr Robin Chadburn, the chairman, said results showed continued sales growth and a small increase in operating and pre-tax profits. The operating profits were marginally ahead at £12.3m (£12m) in spite of disruption to trade in 45 public houses undergoing substantial refurbishment, heavy investment in brand advertising, and the pressure on soft drinks margins.

He said the Brewery's philosophy for the next two years was to continue to invest heavily in its tied estate, its beer and soft drinks brands, and in training and development of people in order to ensure a highly profitable and independent company.

There was a tax charge of £2.5m compared with £2.63m, and there was an extraordinary credit this time of £4.7m, which arose from the disposal of properties surplus to requirements.

Johnson Matthey doubles dividend at record £51m

BY TERRY POVEY

"Johnson Matthey, the precious metals fabricating and marketing group, produced year-end pre-tax profits up more than two-thirds to a record £50.5m.

"Johnson Matthey is back," exclaimed Mr Gene Anderson, chief executive, yesterday.

All divisions showed increased contributions and with a final dividend of 3½p, the payout level for the year to end-March was 5½p, more than double the previous 2½p total.

The debt reduction programme has continued. Net debt, down £47.4m to £127.1m, 56 per cent of shareholders funds at £227m. In the aftermath of the rescue and takeover of Johnson Matthey Bankers by the Bank of England in late 1984, the parent group had borrowings totalling £480m.

The falling debt—£65.8m of which was in metal and £61.3m in money at the year end—enabled interest payments to drop about by £6m to £9.9m.

Having put the JMB affair behind it, Johnson Matthey had "returned to robust financial health," said Mr Anderson. Since the early repayment of a banking facility in December it had been dealing with its bankers on a normal commercial basis.

Cash flow had been especially strong at almost £100m in the year, of which £65.4m came from operations and the rest from disposals.

Mr Anderson said JM had embarked on a major quality improvement programme.

While completing the rationalisation programme, opportunities for expansion were being sought through acquisitions and the development of new products, he said.

In the year to March, trading profits were £55.1m (£41m) and associate companies, primarily Matthey Rustenburg in South Africa, contributed a further £5.3m (£5m) to produce operating profits of £60.4m (£46m). After taxes of £14.5m (£8.5m) and a net extraordinary charge of £10.3m (a charge of £8.3m) attributable profits were £25.7m (£13.4m). Fully diluted earnings per share were 20.3p (12.1p).

The pre-interest divisional breakdown was: catalytic systems £15.5m) (£15.2m); materials technology £17m (£12.7m); precious metals marketing and refining, which includes Matthey Rustenburg, £19.9m (£12.6m); and colo[illegible] and printing £8m (£5.5m).

Charter Consolidated holds a one third stake in JM if it converts all its outstanding preference share holding.

● **comment**

The City is beginning to take up Mr Anderson's enthusiasm for the new-look Johnson Matthey and against the trend on the *market*, the group's shares rose 14p to 377p on figures that were somewhat ahead of the highest of expectations. The desire to forget JMB is understandable — although the legacy has one positive aspect in the form of a mound of tax losses, estimated at £250m, available to shelter profits and therefore boost cash generation for a good many years to come. While the US autocatalyst market has peaked (this year the weak dollar held back profits growth), serious emission control legislation in Europe should soon see a boom for these products on this side of the Atlantic. On the refining side, primary activity is very South Africa, Rustenburg, centred and the relationship with Anglo-American's associate remains a key source of profits. However, the secondary, or recovery-from-scrap, refining is becoming increasingly important in the US where 10 years of emission controls installation has the world's third largest platinum "mine" hanging from the bottom of millions of cars. This year £65m has the shares trading o na multiple of 15, which surely still leaves the rerating process a couple of points further to go.

Sketchley pays £5m for Jeeves

Sketchley, the drycleaners, has acquired Jeeves of Belgravia, a quality London drycleaning chain, for £4.8m. The consideration will be satisfied by the issue of 910,000 ordinary 25p shares.

The deal will include Lilliman & Cox, which has two further outlets.

Unilock profits hit record £2.3m

Unilock Holdings, the office partitioning specialist which gained a full listing in July 1986, announced record profits up 23 per cent to £2.26m for the year to March 29.

In February the company acquired HCP, perimeter heating systems manufacturer, for an initial consideration of £3.7m.

On a merger accounted basis, turnover rose from a restated £22.48m for 1986 to £24.15m and earnings per share improved from 5.69p to 6.48p.

The profits rise from last year's actual figure of £1.4m was 61 per cent, said Mr Ken Roberts, chairman.

A recommended final dividend of 1.2p makes 2.2p for the year, compared with 1.975p paid in 1986.

The market outlook was favourable and orders were at a higher level than last year, he said. "It is unwise to predict the future but we are budgeting for a further increase in profits and a strengthening of our position as the year progresses."

James Finlay falls £2.5m as banking drops into loss

CONTINUED LOSSES from its *oil, gas and servicing interests* and losses from its banking division have reduced the pre-tax result for 1986 at James Finlay, trader and financier, from £8.29m to £5.7m. Despite this, the directors are holding the dividend at 4.15p as forecast, with an unchanged final of 2.15p.

The company's shares fell 7p to close at 104p yesterday.

Turnover for the year fell to £176.64m (£194.13m). Oil and gas losses increased to £3.51m (£1.04m) and servicing to £4.54m (£1.92m). This follows the pattern seen at the interim stage when pre-tax profits fell to £3.41m (£6.34m) overall. Its banking services, finance and international confirming division fell into loss in the second half, incurring a loss for the year of £2.43m (£333,000 profit).

Trading and investment income dropped from £14.08m to £6.89m before exchange losses of £239,000 (£5.04m). The share of losses of the associated companies rose to £870,000 (£759,000), and the pre-tax result was after interest charges of £8.73m.

Other activities contributed to the pre-tax result as follows: confectionery and beverages £4.18m (£3.17m), trading, manufacturing and merchanting £4.89m (£4.94m), plantations £7.03m (£2.09m), and there was a net gain on the disposal of investments of £156,000 (£718,000).

Geographically, there were losses from the UK and the Irish Republic of £1.31m (£4.9m profit), North America £2.49m losses (£96,000 loss), and Australasia £474,000 losses (£30,000 profit).

Tax took more at £5.48m (£3.52m) and minorities accounted for £2.06m (£296,000) to leave earnings per 25p stock unit down from 5.5p to 2.5p net.

There were extraordinary credits of £1.57m (£1.36m).

● **comment**

Imagine a company chairman's worst nightmare—pre-tax profits around a third of what *brokers were estimating at the* interim stage, a tax charge of 95 per cent, the dividend only *covered because of an extraordinary* credit—it has all come horribly true for James Finlay. *The vicissitudes of the tea market* can not be blamed this time —tea prices were buoyant last *year although they have shown* recent worrying signs of weakening. Instead, the oil price *fall turned* Finlay's energy business into an unmitigated disaster and a bad debt wiped *out the chance of a recovery* in the banking and confirming business. Finlay did not help *its cause by an uncommunicative* preliminary statement and the shares held up so well — *down only 7p to 104p*—not because the market was prepared for the figures but because *takeover hopes* linger. But the rumours of a bid have been around for two years and on *fundamental grounds*, assuming reduced energy and banking losses allow the group to make *£8m this year, the shares are* heavily overvalued on a p/e of 17.

ML confident after 53% profits rise to £3.3m

ML Holdings, the manufacturing engineers, yesterday announced a 53 per cent gain from £2.17m to £3.32m in pre-tax profits for the year to March 31 1987 on a 13 per cent improvement in turnover to £64.81m.

Trading profit last year improved from £3.08m to £4.05m; there were interest charges of £727,000 (£904,000) and tax took £1.18m (£866,000) leaving attributable profits of £2.14m (£1.31m) before an extraordinary item of £310,000 (£186,000)

Earnings per 25p ordinary were 35.5p (26.5p) and the total dividend is raised from 8p to 9p with a final of 6.4p (5.7p).

● **comment**

ML is startin gto grapple with its age-old cost problem: the operataing margin on sales crept up from 5.4 to 6.2 per cent. But the move towards fixed price contracts with the MoD does not wholly explain the spurt in the share price, which yesterday closed at 738p, up 35p; nor indeed does the 53 per cent increase in pre-tax profits, which were only slightly ahead of brokers' demanding expectations. The bulls seem to be anticipating further acquisitions, like ESlingsby Aviation and Hydro-Bond, bought in August last year, *and FL* Douglas Holdings, acquired in April. All of these were judged to have been bought *on terms* favourable to ML, and indeed Slingsby, which contributed around £400,000 *in the last year*, is set to be more profitable in this one, if US orders for Airship gondolas and *ocntrol surfaces* materialises. Steady performance from bomb-racks and railway-signalling *should* guarantee £4.3m in the present year ,even without further acquisitions. *This puts the* shares on a prospective multiple of 17. High, but there is no reason why the shares *should* not maintain their pace, having outperformed the market by a quarter in the last year.

UK COMPANY NEWS

STOCK EXCHANGE BUSINESS IN MAY

Election causes erratic trading

BY TERRY BYLAND

TURNOVER ON the UK Stock Exchange showed a moderate gain last month, but the picture was somewhat patchy as the run-up to the British general election brought erratic movements in both government bonds and equities.

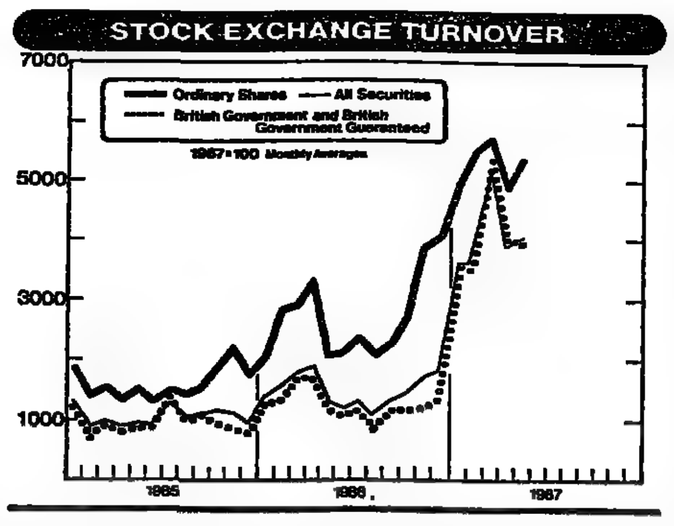
The value of all business done in May, comprising both gilts and ordinary shares, increased by 3.8 per cent to £131.39bn. Trading in ordinary shares increased by 9.2 per cent to £29.82bn. The stock market reached successive peaks during the month as firstly, the date of the election was confirmed, and then as a rapid series of public opinion polls brought waves of somewhat speculative buying and, on occasion, bouts of profit-taking.

Not all the factors were political, however. The market continued to look for a further cut in UK bank base rates at the beginning of the month, although such hopes were reduced when the Bank of England signalled that an early base rate cut would be unwelcome.

While the sharp movements in the principal industrial blue chips attracted much of the attention, trading levels owed much to the excitement prompted among bank shares by the decision by Citicorp, the major US name, to make a massive write-down of its Third World loans. UK bank shares, regarded as vulnerable to any moves to follow suit by the British clearers, fell at first, but then recovered as it was hinted that the UK tax authorities might encourage such plans.

With the Government's strong standing in the opinion polls fully maintained until the end of May, industrial equities enjoyed several successful sessions but turnover, at around 40,000 SEAQ bargains daily, indicated that investment in the alpha and beta stocks, which dominate market trading, was not heavy.

STOCK EXCHANGE TURNOVER



In the case of government bonds, a dip of 1 per cent to £93.49bn in the month's turnover total reflected a cooling-off in activity by the institutions, which had already positioned themselves ahead of the election. Some money moved into short and medium dated issues as the City looked for further reductions in base rates, either before or after the election. But this cash came out of the longer dates, where turnover dipped by 13 per cent to £35.8bn.

May also brought the first of the auctions of Trreasury stocks by the authorities. The auction passed successfully, and the market appeared to cope easily with the £2bn of new Treasury stock sold during the month.

Gilt-edged stock prices held steady over the month, with the market's optimism for renewed foreign buying after the election, boosted by improved UK trade figures for the previous month.

Bond prices have now been treading water for the past two months as first, the Washington meeting of President Reagan and Premier Nakasone, and then the UK election, dampened foreign interest in UK government bonds.

Meanwhile, the moves to stabilise world currencies and to help the US dollar were reflected in a renewed downturn in gold producer shares on the London market. Gold shares again demonstrated their close link to the level of the dollar, often moving sharply on relatively little turnover.

London markets have continued to make headway in the first half of this month, against a background of significant developments in the UK and aborad. In addition to the success of the Conservative Government in the UK elections, London has had to face the disclosure that Mr Paul Volcker is leaving the chairmanship of the US Federal Reserve Board, as well as the uninspiring outcome of the Venice Economic Summit.

Share prices have continued to move upwards, although the bond market has remained cool.

MONTHLY TURNOVER: MAY

	Value £m	Per cent of total	Number of bargains	Per cent of total	Average daily value £m	Average bargain value £000s	Average number of daily bargains
BRITISH FUNDS							
Short dated (7 years or less to run)	30,931.0	23.5	34,124	2.7	1,627.9	906.4	1,796
Mediums (7-15 years)	26,755.8	20.4	27,924	2.2	1,408.2	958.2	1,470
Others (over 15 years)	35,805.1	27.3	30,156	2.4	1,884.5	1,187.3	1,587
Total	93,491.9	71.2	92,204	7.3	4,920.6	1,014.0	4,853
IRISH FUNDS							
Short dated (7 years or less to run)	896.3	0.7	1,188	0.1	46.7	746.0	63
Mediums (7-15 years)	619.8	0.5	705	0.1	32.6	878.0	37
Others (over 5 years)	950.7	0.7	866	0.1	50.0	1,097.8	46
UK Local Authority	21.2	0.1	462	0.1	1.1	45.9	24
Overseas Government	4,371.4	3.3	5,883	0.4	230.1	743.1	310
Other Fixed Interest	1,229.3	0.9	29,403	2.3	64.7	41.8	1,548
ORDINARY SHARES							
UK and Irish	24,540.2	18.6	1,054,869	83.6	1,291.6	23.3	55,519
Overseas	5,280.9	4.0	75,804	6.0	277.9	69.7	3,990
Total	29,821.1	22.7	1,130,673	89.6	1,569.5	26.4	59,509
TOTAL	131,390.9	100.0	1,261,384	100.0	*6,915.3	*104.2	*66,390

* Average of all securities.

600 Group down by 18% to £5m

The 600 Group, machine-tool manufacturer, saw pre-tax profits fall by 18 per cent—from a restated figure of £6.1m to £5.02m—on turnover down from £203.13m to £122.85m in the year to March 31 1987.

However, it maintained its dividend payments with an unchanged proposed final of 3.435p to make a total of 5.775p (5.775p) for the period. Earnings per share after tax and before extraordinary items fell from 7.9p to 7.5p. On a nil distribution basis they fell from 8p to 6.4p.

Sir Jeffrey Benson, who succeeded Sir Jack Wellings as chairman on April 1, said that the fall in operating profits—from £11.99m to £8.39m—was mainly due to adverse trends in order intake for machine tools from the UK and US, and the the deterioration in the value of the US dollar.

He emphasised that the results showed an improvement over the first half—profits of £568,000 (£3.26m) on turnover of £95,000 (£108,000)—and included the benefit of reduced pension costs following revaluation of certain of the group's pension funds. Comparative figures have been restated because of a change in accounting basis.

He reported that following restructuring and with the benefit of several new management appointments he was confident that the group had a substantial, sound and efficient base for growth. This would be limited principally in the current year by the degree to which markets for machine tools in the UK and US, which were at their lowest level for several years, recovered.

A breakdown of the trading profits shows: manufacturing companies, £1,47m (£3.72m); trading companies—UK, £2.14m £(253,000) and overseas companies, £1,5m (£2.02m); and iron and steel operations, nil (£488,000 loss). There were exceptional credits of £1.99m (£609,000 debits) which comprised the change in the basis of contract accounting, £2.53m (£609,000 debit) offset by the costs of reorganisation, restructuring and related costs, £538,000 (nil).

Depreciation accounted for £2.54m (£2.9m) and interest charges took £2.73m (£2.98m). Tax fell from £2.46m to £1.57m. Extraordinary debits consisted of losses arisin gon the closure and sale of businesses—£5.16m (£482,000)—offset against a tax credit of £244,000 (£101,000).

● comment

If the 600 Group's shares failed to respond to yesterday's figures it was probably more out of bemusement at the statement's complexity than satisfaction with the results. Certainly the halving of trading profits from £6m to £3m was little cause for comfort, particularly since it included a £930,000 pension holiday. The current year's figures should be somewhat cleaner but probably not a whole lot brighter even in spite of the restructuring measures. The effect of the disposals has been to concentrate The 600 Group's activities still further on the machine tool industry, which the company itself is the first to admit is at its nadir in its key UK and US markets. The elimination of losses should help the group to around £5.5m pre-tax for a p/e of 16 at yesterday's 138p. A rating like that is even more bemusing than the figures and appears to be supported by rather unconvincing bid speculation.

NOTICE OF REDEMPTION

To the Holders of

General Mills, Inc.

U.S. $100,000,000 12% Notes, Series A, due December 19, 1991

NOTICE IS HEREBY GIVEN to the holders of the outstanding 12% Notes, Series A, due December 19, 1991 (the "Notes") of General Mills, Inc. (the "Company") that pursuant to the provisions of Section 7(a) of the Series A Fiscal and Paying Agency Agreement dated as of December 19, 1984 between the Company and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and paragraph 4(a) of the Terms and Conditions of the Notes, the Company has elected to redeem on July 6, 1987 U.S. $1,475,000 principal amount of the Notes (the "Redemption Notes") at a redemption price equal to 101% of the principal amount thereof, together with accrued interest to said date, in the amount of U.S. $328.33 for each U.S. $5,000 principal amount as follows:

OUTSTANDING NOTES OF $5,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

47	828	1367	1838	2496	3185	3679	4233	4973	5632	6235	6633	7276	7723
94	835	1381	1860	2504	3211	3691	4246	5051	5658	6237	6679	7277	7770
95	838	1398	1913	2546	3213	3692	4314	5113	5672	6243	6706	7279	7791
110	856	1439	1962	2554	3220	3714	4372	5114	5707	6273	6709	7302	7858
112	881	1471	2043	2557	3303	3724	4452	5151	5717	6284	6718	7303	7911
174	896	1485	2098	2573	3306	3754	4457	5160	5743	6295	6760	7367	7912
197	905	1497	2127	2583	3359	3761	4490	5230	5793	6306	6779	7413	7926
230	925	1505	2133	2611	3368	3798	4522	5260	5795	6314	6823	7427	7975
252	944	1514	2143	2626	3369	3912	4583	5273	5804	6346	6841	7440	7990
260	971	1542	2200	2636	3386	3916	4593	5284	5815	6379	6867	7454	
318	984	1573	2218	2650	3416	3917	4647	5357	5832	6423	6876	7513	
332	998	1582	2234	2684	3497	3936	4685	5372	5853	6450	6920	7544	
474	1000	1604	2254	2791	3510	3951	4706	5490	5872	6491	6937	7561	
481	1024	1623	2276	2895	3529	3968	4725	5503	5921	6538	6984	7565	
533	1059	1629	2281	3012	3533	3971	4758	5508	6002	6544	7009	7578	
537	1099	1641	2314	3029	3534	4026	4768	5526	6021	6556	7041	7609	
570	1114	1688	2335	3046	3573	4042	4774	5538	6024	6561	7140	7620	
656	1130	1765	2403	3069	3613	4056	4780	5548	6028	6568	7185	7649	
711	1162	1773	2428	3087	3620	4070	4804	5577	6062	6588	7201	7666	
713	1275	1784	2457	3095	3635	4071	4861	5606	6078	6608	7210	7698	
737	1289	1793	2466	3098	3664	4149	4924	5628	6113	6618	7254	7712	
769	1336	1816	2469	3155	3677	4193	4935	5629	6196	6621	7260	7716	

Payment will be made, subject to applicable laws and regulations, in U.S. dollars on and after July 6, 1987 upon presentation and surrender of the Redemption Notes with coupons due December 19, 1987 and subsequent coupons attached, failing which, the amount of missing unmatured interest coupons will be deducted from the sum due for payment and paid in the manner set forth in the Terms and Conditions of the Notes against surrender of the related missing interest coupons within the period of time prescribed by the applicable statute of limitations, at the main offices of the Fiscal Agent in London, Brussels, Frankfurt am Main, Paris and Tokyo, the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, the main office of Swiss Bank Corporation in Basle and the main office of Kredietbank S.A. Luxembourgeoise, in Luxembourg. Payments at said offices will be made by a United States dollar check drawn on a bank located in The City of New York, or by transfer to a dollar account maintained by the payee with a bank in London. No payment on any Bearer Note will be made at the Corporate Trust Office of the Fiscal Agent or any other Paying Agency maintained by the Company in the United States nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States.

From and after July 6, 1987, the Redemption Notes will no longer be outstanding and interest thereon shall cease to accrue. U.S. $500,000 principal amount of Notes will remain outstanding after the redemption.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

Any payments made to an address in the United States, directly or by electronic transfer, may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide a Paying Agent with an executed IRS Form W-8 in the case of non-U.S. persons or an executed IRS Form W-9 in the case of U.S. persons.

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide to a Paying Agent listed above, and certify under penalties of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate), or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50 imposed by the IRS. Please therefore provide the appropriate certification when presenting your securities for payment.

GENERAL MILLS, INC.

DATED: June 5, 1987

UK COMPANY NEWS

ACQUISITION WILL CUT RIVLIN'S GEARING TO 50%

Mayfair Properties agrees to £28m

BY PHILIP COGGAN

Rivlin, the USM-quoted company which has been turned into a property group by Mr Martin Landau, yesterday announced a £28m recommended offer for Mayfair and City Properties.

The acquisition follows a flurry of activity from Rivlin, once a textiles and kitchen supply company, which joined the USM in 1983 after five years of share suspension. After its return to the market, the group gradually disposed of its textiles interests and became a property shell.

Mr Landau moved in last year when City Merchant Developers, a private company formed after a management buyout of Guinness Peat Properties, took a 29 per cent stake. Since then, Rivlin has made an agreed £41m takeover of Marlborough Property Holdings.

The Mayfair acquisition will push up Rivlin's assets from £22.5m to £80m and increase net assets per share from 34.7p to 72.5p. The gearing level will accordingly fall from 160 per cent to just under 50 per cent.

Mayfair & City joined the USM three years ago as the quoted vehicle of Mr Sidney Corob, a property developer. Mr Corob and his wife, who together own 61.8 per cent of the company, have irrevocably agreed to accept the offer. They will also, if shareholders agree, buy properties in London W1 from Mayfair for £4.8m and Mayfair's 75 per cent interest in Town & Country Developments.

Mayfair also announced yesterday its results for the year to March 31, in which it made pre-tax profits of £771,000, down from the previous year's £918,000. Thanks to a lower tax charge, earnings per share were up at 6.2p from 4.8p. No final dividend is being paid making the total for the year 1.1p (2.8p).

To pay for the acquisition, Rivlin is raising £37.5m via an offer to shareholders of 37.5m convertible preference shares carrying a coupon of 5.125 per cent. The balance of the proceeds will be used as part of the refinancing programme of the Landmark building in Hammersmith which has recently been refurbished and let to Guinness.

Terms of the offer are £75.80 in cash plus £117.40 nominal of loan notes plus £41.66 of convertible loan stoc kfor every 100 Mayfair shares. The offer values each Mayfair share at 235p.

Rivlin also announced that it is proposing to sell certain properties for £7.55m to a company principally owned by a director and a former director of a Rivlin subsidiary.

Avon Rubber makes £3.8m joint purchase in France

Avon Rubber, the tyres and industrial polymers group, is to acquire Tabur Caoutchouc, a French specialist rubber manufacturer, in association with Les Ateliers de Construction du Nord de la France, for FFr 37.5m (£3.8m).

Avon will contribute approximately FFr 28.1m towards the purchase price of the Brittany based company, currently owned by Societe BIC. Avon and ANF already jointly own Societe Francaise des Caoutchoucs Spencer Moulton.

In the year to end-December 1986, Tabur had a turnover of FFr 77m, pre-tax profits of FFr 6m and net assets of FFr 18.4m, including freehold property, plant and machinery worth FFr 14.9m.

Mr Brian Stacey, Avon director, said Tabur would provide further opportunities to expand the group's French business interests.

TR Energy in £4m purchase

TR Energy, the investment company specialising in oil and gas, is paying a total of £4.1m to buy oil and gas assets in the US from Legal & General and four Touche Remnant Trusts.

Consideration will be satisfied by the issue of 17.08m new shares in TR Energy, representing 42 per cent of the enlarged share capital.

The assets include interests in Crystal Oil, UK Energy, Amarex, Kirby Exploration, Maynard Oil, London American Energy and American Petroleum Production and are part of TR's policy of expansion through acquisition or merger.

TR proposes that the current value of each of its 25p shares be reduced to 10p following shareholders' approval.

Britannia

The merchant bank sponsoring the flotation of Britannia, the property development group, is Brown Shipley, not Hill Samuel as stated yesterday.

ARCHIMEDES Investment Trust: Interim dividend 5.5p (4.6p). Net asset value per capital share at half-year end April 30 1987 460.5p (350.84p).

Stoddard tops £1.7m and pays a dividend

Stoddard Holdings, the carpet manufacturer, has returned to the dividend list with a payment of 1.3p—the first paid since 1980—following a substantial recovery from £369,000 to £1.71m in pre-tax profits for the year to March 31.

The directors said design and developments continued to be at the forefront of the company's operations, and the company was devoting substantially increased funds to more sophisticated and carefully targeted marketing and promotion. Continued attention was being paid to margins and the use of funds. The company was therefore reasonably optimistic for the current year.

Gearing, shareholders funds and borrowings substantially improved due to the disposal of a subsidiary and to the group's strong profit performance, reducing finance charges by 43 per cent to £465,000 (£817,000).

Sales for the year were lower at £35m (£37.14m) but operating profits were up from £1.19m to £2.17m. Tax amounted to £222,000 (£167,000) leaving earnings per share to emerge at 8.2p (1.4p loss) or 3.3p fully diluted (n/a).

Robert Horne up 41% to £6.2m

Robert Horne Group, the paper merchant which moved from the USM to a full listing in July 1986, produced a 41 per cent improvement in interim pre-tax profits to £6.24m after a good performance from all its subsidiaries and announced it was in negotiations to make an acquisition for almost £4m.

Turnover for the six months to March 31 climbed from £62.5m to £72.16m and earnings per share lifted from 8.58p to 12.65p. The interim dividend improved from 1.5p to 2p.

Sir Kenneth Berrill, the new chairman, said that the newly formed adhesive and display products company had started well. Demand for paper was at a good level and the paper company had maintained the performance achieved in the second half of 1986.

"Last year saw weak conditions in the first six months and much improved markets in the second half," he said. "This year with first-half demand having been more buoyant we expect a more even performance over the two half-year trading periods."

Horne was updating its Northampton computer operation and enlarging facilities, he said.

There was an interest credit of £123,000 (debit £92,000), tax was £2.28m (£1.74m), minorities took £57,000 (£45,000), and the preference dividend payment was unchanged at £50,000.

● comment

Robert Horne is one of a kind—not because of its unusual two tier share structure but also because it is the only quoted paper merchant. Over the last few months, the market has begun to appreciate Horne and the shares have been re-rated—the non-voting version have risen from a low of 235p to 455p this year. However, these results are not quite as impressive as they appear—last year's first half was affected by severe pressure on margins. Prices firmed since then—although they have weakened slightly in recent weeks—and the booming junk mail industry and privatisations, like the forthcoming BAA flotation, have been good for volumes. In future, growth prospects may be spiced up by the expansion of the group's distribution expertise into non-paper areas; for this year, £12.7m looks feasible putting the non-voting shares on a prospective p/e of 17, which seems well up with events.

Cifer recovers but cautions on progress

Cifer, the USM quoted supplier of computer terminals and microcomputers, achieved a small measure of recovery in the 26 weeks to April 11, 1987 with pre-tax profits rising from £5,000 to £226,000.

Mr Oliver Newland, chairman, cautions that the business had become more seasonal. It would be wrong, therefore, to expect the second half to show the same progress in profitability.

He said the company was clearly benefiting from the rationalisation efforts made over the past two years and in particular from the concentration of manufacturing on one site at Melksham.

He was encouraged by the initial market reaction to two newly launched graphics terminals, the T6 and 3014. The company had further expanded its range by entering into an agreement with the Marubeni Corporation of Japan to distribute a range of terminals under the Cifer name.

Turnover last year was down from £3.05m to £2.65m but operating profit improved from £252,000 to £423,000. Interest charges were £197,000 (£247,000); there was no tax recovery this time (£5,000) leaving retained profits at £226,000 (£10,000) and earnings per share of 1.45p (0.06p).

Bassett recovers to record £3.7m

DOUBLED profits before tax and employee profit sharing to a record £3.71m (£1.85m) were announced yesterday by Bassett Foods. The 1985/86 results were, however, £1m down on the previous year mainly due to a six week long strike in the autumn.

Mr Harold Stokes, chairman, said the restructuring of the group which was reported last year, had proved to be most encouraging. The relaunch of Liquorice Allsorts by Geo Bassett in February 1987 had been well received by the trade and the TV campaign planned for July should further enhance sales of the flagship brand.

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Anglo Bellamy Wilkinson and Bassett Foods International had both—in their first year of trading as autonomous units—taken advantage of many opportunities during the year and Ernest Jackson had maintained their level of profitability despite significant site development work.

Commenting on overseas operations Mr Stokes said that B. V. De Faam again traded profitably, with the second half proving to be particularly encouraging. In the US Wilkinson-Spitz had contributed to the group profitability and the joint venture in Hong Kong, whilst not yet making a direct contribution to group profits, had provided a growth area for group sales.

Mr Stokes said the confectionery industry continued to be extremely competitive but was confidenet that the company's growth could be sustained.

The UK companies made the running last year with sales up from £57.03m to £64.66m and trading profits advancing from £2.32m to £4.01m; overseas sales were marginally better at £12.71m (£12.55m) and trading profits improved from £436,000 to £520,000. Interest was £818,000 (£899,000) and share of loss of an associate was £2,000 (£4,000). Allocation to employee profit sharing scheme was £100,000 (nil) and there were same again minority interests of £3,000.

There was a credit of £344,000 for extraordinary items (£443,000 debit) after a tax charge of £722,000 (£351,000) leaving attributable profits of £3.22m (£1.05m) for earnings of 21.02p (10.94p) per share.

The total dividend is raised from 6.82p to 7.24p with a proposed final of 5.29p (5.04p).

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THE PROPERTY MARKET By PAUL CHEESERIGHT

A move out of the shadows

BREDERO IS a town-centre retail developer with a steady but not overweening interest in house building. This week it acquired a site for a shopping project in Fleet, Hampshire. That followed a buying excursion into south London for housing land.

The two sets of acquisitions mark the company's movement out of the shade caused by uncertainty over its shareholdings. They set off a new generation of development and should fatten the estimate of an average 20 per cent compound growth in earnings over the next five years.

That expected growth will come roughly in these proportions: half from developments, a quarter from housing and a quarter from properties held for investment. Rent reviews next year and the year after, from a shopping centre at Epsom, and the completion of centres in Fleet and Aberdeen will help swell revenue and boost the net asset value, which was 114p at flotation and has reached 126p.

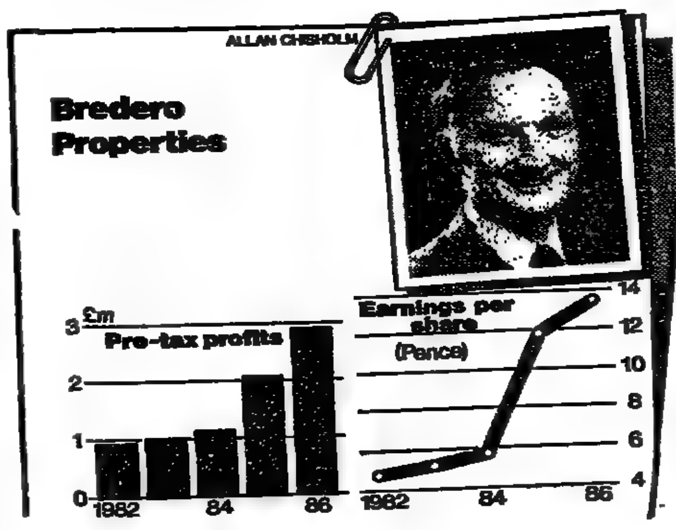
Just as Arlington has been able to ride on the back of changing business demands in its parks, so Bredero is in a good position to profit from concern about inner cities.

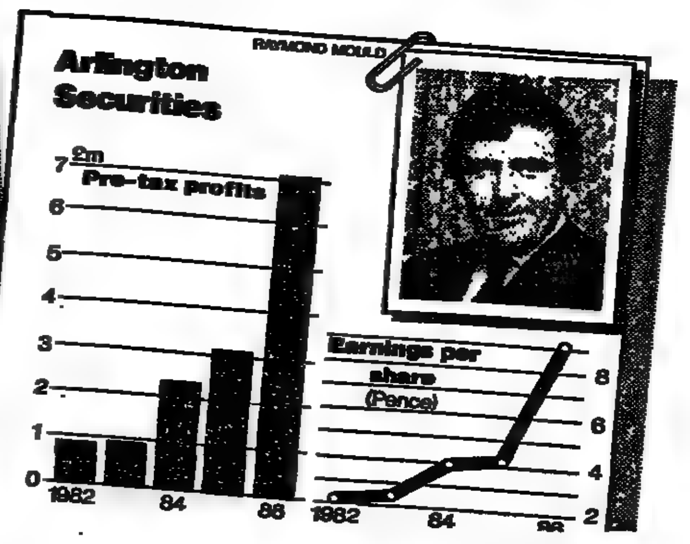
Efforts to renew town and city centres have led to a shake-up in the planning process, according to Mr Allan Chisholm, Bredero's managing director. In the past "whatever proposals there were, there were too many problems for it to happen." That is changing. Retailers, he says, are also anxious to co-operate over the shopping environment.

In this context, Bredero uses its resources to assemble sites and the funding appears on the balance sheet. Then, project by project, it will either seek institutional funding for development or obtain special bank facilities off the balance sheet.

So far Bredero has no special financial relationship with Slough Estates. But, says Mr Chisholm, "the acquisition of our equity by Slough has given us underlying stability — it assists our financial status." This is helpful for example, in arranging £50m of financing from Citibank for the Aberdeen shopping centre.

Although Slough has two directors on the Bredero board, the concerns operate independently—"we are both in the market, we can feed information to each other." But the possibilities go further than that. Slough with its industrial estates and business parks, Bredero with its in-town development, complement each other.





Chalk and cheese from the class of '86

FOR THE stock market class of summer '86, the last 12 months have seen mixed fortunes.

Arlington Securities graduated to full market status in May 1986 and Bredero Properties the following month. Arlington has seen its share price shoot up 150 per cent from the offer price of 115p, having absorbed a £52m rights issue. Bredero's rise has been 67 per cent from an offer price of 145p.

To put that into perspective, the FT Actuaries Property Index has climbed 60 per cent over the past year.

Initially though, the market had seemed more enamoured of Bredero than Arlington. Bredero was 52 times oversubscribed, Arlington 34 times. But the latter shot off. The other did not.

True, Arlington exceeded its earnings forecasts. But then Bredero met its own comfortably, yet it still ran into trouble.

First the market over-reacted to Bredero's planning difficulties in Hammersmith on a project which did not figure in its immediate development plans. Then it took fright at the company's Aberdeen involvement.

More serious was the financial trouble that hit Bredero's Dutch parent of the same name. There was continual uncertainty about what would happen to its 49.5 per cent stake and that cloud only passed when Slough Estates picked it up at the original offer price for Bredero stock.

Arlington and Bredero are a bit like chalk and cheese: the first glossy and aggressive, the second cautious and persistent. Arlington just wants to carry on developing and trading. Bredero wishes to accumulate assets for retention. Arlington sees its asset base as the land on which it will found its future developments. Bredero wants to keep a growing percentage of its developments for their rental revenue.

But the two come together in Southampton. Bredero is looking, with John Lewis, at a store redevelopment. Arlington has an adjoining department store. The two are talking about a joint shopping project.

Advance of the business parks

ARLINGTON's niche in the market is business park development. But it has built up a presence in retail projects with an involvement in plans for 2m square feet of trading space.

With its existing stock of land, it has the scope to provide 11m square feet of space in business parks. This stock will be the basis of its future earnings per share.

"If you buy the stock at the right price, you can continue to deliver the stock to the customer," notes Mr Patrick Vaughan, one of the founding directors of the company, set up in 1976.

This stock is largely in the south, but the recent purchase of the Aztec West park, near Bristol, and the early development of a park in Birmingham—"a star for the early nineties," according to Mr Vaughan—have widened the company's geographical base. And it would like to go north.

"The reason we don't go north is one of value, not of inclination. The institutions are not investing in the north. I think that's a mistake. But if they're not, I can't build except for owner occupation," says Mr Vaughan.

Arlington is on the look-out for more sites, but not ones which would compete with existing stock. So it is avoiding the south coast and looking along the M4 corridor. It recently bought 47 acres near Reading. It has sold developments along the corridor and wants to replace the stock.

When it goes into the land market again, it will be in a strong position. Over the next few days the cash from the rights issue will come in and the surplus left after payment for Aztec West will eliminate all its gearing. Future borrowing is most likely to be medium-term bank borrowing.

But the style of the company is to undertake its developments in joint ventures or partnerships, which has the effect of spreading the liabilities and getting them off the balance sheet.

The cost to the group of investment in a dozen partnerships, where its equity is never less than 33 per cent, has been £13.9m, but the development cost in the partnerships was £108.8m. In the event of the very worst happening to the partnerships, the borrowings for which Arlington is responsible come to £29.2m.

Company Notices

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa
Registration No. 11/00007/06

NOTICE TO HOLDERS OF 40% PREFERENCE SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 156

With reference to the notice of declaration of dividend advertised in the Press on 27th May 1987, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 6.556 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 93.444 cents per share.

The dividend on bearer shares will be paid on or after 5th August 1987 against surrender of coupon No. 156 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:

Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels.
L'Europeenne de Banque, 21 Rue Laffitte, 75428 Paris.
Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg.
Generale de Banque, 3 Montagne du Parc, 1000 Brussels.
Credit Suisse, Paradeplatz 8, 8021 Zurich.
Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle.
Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich.

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 29th July 1987, at the United Kingdom currency equivalent of the rand currency value of their dividend on 29th June 1987, or

(ii) in respect of coupons lodged after 29th July 1987, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 73 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident Shareholders' tax at 6.556%	6.556
	93.444
Less: U.K. income tax at 20.444% of the gross amount of the dividend of 100 cents	20.444
	73.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

London Office:
40 Holborn Viaduct,
London EC1P 1AJ.
18th June 1987.

De Beers
De Beers Consolidated Mines Limited

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 20.444% instead of the basic rate of 27% represents an allowance of credit at the rate of 6.556%.

STANDARD BANK IMPORT AND EXPORT FINANCE COMPANY LIMITED
$US 75.000.000 FLOATING RATE NOTES DUE 1991

For the six months, May 28, 1987 to November 29, 1987, the rate of interest has been fixed at 7 7/8% P.A.

The interest due on November 30, 1987 against coupon nr 6 will be $US 406,88 and has been computed on the actual number of days elapsed (186) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period June 22nd 1987 to July 22nd 1987 has been fixed at 7 3/16% per cent per annum. On July 22nd interest of US$5.989583 per US$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing July 22nd 1987 will be determined on July 20th 1987.

ORION ROYAL BANK LIMITED
Agent Bank and Principal Paying Agent

COMMUNAUTE ECONOMIQUE EUROPEENNE
$US 70.000.000 11% 1980/1995

We inform the bondholders that the redemption instalment of $US 7.000.000-, nominal due on August 1, 1987, has been satisfied by a drawing on may 25, 1987, in Luxembourg.

The bonds will be reimbursed at par on August 1, 1987, coupon due on August 1, 1988 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows:

24 982 to 29 646 and 36 647 to 38 981

The following bonds, called for redemption on 1st August 1986, have not yet been presented for the payment:

29 647 - 31 910 31 931 - 36 646

Amount outstanding after August 1, 1987: $US 56.000.000,-

THE PRINCIPAL PAYING AGENT,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED
INTERNATIONAL DEPOSITARY RECEIPTS ISSUED BY MORGAN GUARANTY TRUST COMPANY OF NEW YORK

On June 5, 1987 the Board of Directors of First Australia Prime Income Investment Company Limited, a closed-end investment company listed on the Toronto Stock Exchange, announced the declaration of an interim dividend on the company's ordinary shares of $0.58 per share for the six month period ended May 31, 1987.

Payment of coupon No. 2 of the International Depositary Receipts will be made in US Dollars on or after July 22, 1987, to the IDR Holders of record June 24, 1987, at one of the following offices of Morgan Guaranty Trust Company of New York:

—New York, 30, West Broadway.
—Brussels, 35, avenue des Arts.
—London, 1, Angel Court.
—Frankfurt, 44-46, Mainzer Landstrasse.

The dividend is not subject to any Australian Tax. The Belgian withholding tax will be applicable to IDR Holders presenting their coupons to the office of the Depositary without the appropriate Belgian non-resident certificate.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Brussels Office,
as Depositary.

GEORGIA FEDERAL BANK FSB
US$200,000,000
Collateralised Floating Rate Notes due December 1996

For the Interest Period 17 June 1987 to 17 December 1987 the above Notes will carry a rate of interest of 7½% per annum with a coupon amount of US$3,812.50 per US$100,000 Note.

CHEMICAL BANK
(Agent Bank)

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COMMODITIES AND AGRICULTURE

EC may impose grain price cuts

BY TIM DICKSON IN BRUSSELS

THE European Commission was yesterday threatening to implement contingency plans—including possible cereals price cuts — if EC Agriculture Ministers fail to agree a package of CAP reforms by the beginning of next month.

That prospect looked increasingly likely after the key farm talks in Luxembourg collapsed yesterday morning with still sharp differences between member states on a wide range of issues.

The Commission not only failed in its last ditch attempt to force through the controversial oils and fats tax but Mr Ignaz Kiechle, the West German Farm Minister, indicated that he would veto the plans for future reform of the "green currency" system and the proposals for price cuts and an overhaul in the cereals regime.

The possibility of another EC Farm Council next week, or a meeting of Agriculture Ministers to be held concurrently with the EC Summit in 10 days' time, still remains open. But Mr Frans Andriessen, the EC Agriculture Commissioner, emphasised last night that "the Commission would certainly accept its responsibility and take the necessary measures not only to ensure the temporary management of the markets but in the context of the Community's financial health."

The most pressing deadline is July 1, the start of the new cereals marketing year which could be extended with the agreement of the European Parliament. More likely is the taking of provisional measures, which the Commission is allowed to do in a so-called "case of a legal void" and which it did most recently in 1985 when West Germany blocked the proposed cuts in cereal prices. A number of options appear possible in relation to the "intervention" period, the payment of monthly increments, and above all the guaranteed prices paid by the Community.

Coceral, the cereals trade lobby group, which has just made a study of the options, is assuming that intervention from October to April and monthly increments of Ecu 2.45 per tonne could not be changed.

For price reductions it believes there are several possibilities. The Commission could, says Coceral, implement the modest nominal price reductions in their first package or make a 7 per cent cut along the lines of the Belgian Presidency's compromise "paper" (which was subsequently adopted in the Commission's own formal compromise this week).

As for the agri-monetary sector, Coceral believes there is no possibility for the Commission to proceed with its own ideas. It would have to retain the monetary compensatory amounts (MCAs) at their previous level with the possibility that when a realignment of currencies occurred new positive MCAs would be created, or farm prices in national currencies would remain unchanged.

The Commission is expected to give guidance on the way it is thinking in the next few days.

Coffee crop forecast to rise by 27%

By Nancy Dunne in Washington

BRAZILIAN COFFEE production has bounced back from a 1985 drought and may push world output to its highest level since 1981-1982.

The US Department of Agriculture, in its first world coffee production forecast of this year, estimated production for 1987-88 at 97.5m 60-kilogra bags, up 27 per cent from last year's crop. Virtually the entire projected increase was attributed to South American production, forecast at 50.5m bags, up 20.7m from last year.

Brazil, the world's largest producer, is expected to harvest a crop of 35m bags, more than 21 times the drought-reduced 13.9m bag crop of 1986-87.

Mr Jack Roney, a senior commodity analyst at USDA, said yesterday that the seeds of Brazil's "terrific recovery" grew out of the 1985 drought. Higher prices in early 1986 allowed growers to make capital improvements and to plant new trees, setting the stage for this year's bumper crop and future surpluses.

In Colombia, coffee production in 1987-88 is forecast at 10.7m bags, down 3 per cent from last year's crop. Output will be down as well in Ecuador, where production is forecast at 1.95m bags, 14 per cent less than last year.

The forecast of 15.7m bags for North and Central America and the Caribbean region is 2 per cent below last year.

Mexico, the largest grower in the region, is set to produce a record 4.85m bag crop, up 5 per cent from last year. Coffee incentive programmes—offering free nursery stock, loans of special chemical applicators and discounts on fertiliser—have boosted Mexican output.

● European coffee traders and roasters may propose a new formula for calculating International Coffee Organisation quotas at the end of the their meeting in Amsterdam this week reports Reuter.

They said it would give Brazil, the world's biggest coffee producer, unchanged ICO quotes for the next two years and could be a basis for renegotiation.

LME trading beats Comex

By Richard Mooney

DETAILED RECORDINGS of trades, following the adoption of a central clearing system at the begining of this month, has provided the London Metal Exchange with firm evidence of its long-claimed pre-eminence in the world metal market.

During the first two weeks of June it traded 86,602 copper contracts, amounting to more than 2.16m tonnes. Over the same period the New York Commodity Exchange (Comex), its arch rival, managed only 1.41m tonnes.

The LME's dominance was even clearer in the case of aluminium, its figure of 1.65m tonnes comparing with only 6,930 tonnes on Comex.

Silver 'reasserts itself'

BY DAVID BLACKWELL

SILVER has reasserted itself as a precious metal in the past three months, according to a report by Shearson Lehman.

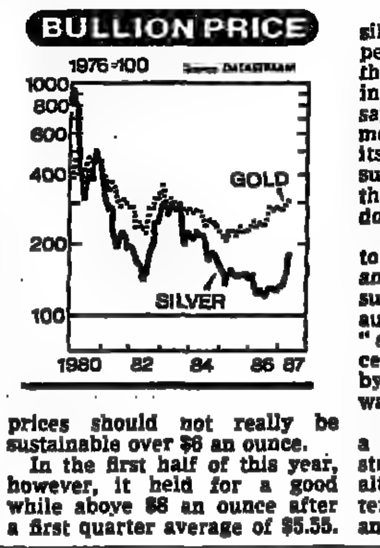
Ms Rhona O'Connell of Shearson said yesterday that the catalyst which has "booted silver firmly back into the precious metals sector" has been the success of silver coins, issued on the back of gold coins, particularly in the US and Japan.

Until recently silver, which is 70 per cent used by industry, had been increasingly seen as an industrial metal, with its price determined by usage, as in the case of base metals, she said.

The report—Annual Review of the World Silver Industry 1987—argues that given an excess of supply over demand, coupled with low production costs and high stocks, silver prices should not really be sustainable over $6 an ounce.

In the first half of this year, however, it held for a good while above $8 an ounce after a first quarter average of $5.55.

BULLION PRICE



In a neutral or bear market, silver is usually the underperformer—but it is the first off the mark on any sharp fear-induced precious metal rally, says the report. Later the fundamental background reasserts itself, and "unless gold has sufficient momentum to take up the reins, silver will again drift downwards."

The report expects the price to hover around and below $8 an ounce for much of this summer before rising in the autumn. Any rallies will be "swift, of the order of 100 per cent, and shortlived, followed by a longer, shallower downward drift."

The precious metals sector as a whole is expected to be stronger next year, with silver, although particularly characterised by its volatility, showing an average price of $8 an ounce.

ITC documents 'inviolable'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE INTERNATIONAL Tin Council, backed by the UK Government, argued in the High Court yesterday that its internal documents could not be used as evidence in the latest round of the tin crisis litigation.

The ITC claimed that, under both English and international law, its documents, and any information derived from them, were inviolable and protected from disclosure in court proceedings. Among the documents covered by the claim was a report by Peat Marwick Mitchell, the City chartered accountants, on the financial state of the ITC.

The ITC has intervened in the case in which Shearson Lehman Brothers, and its subsidiary, Shearson Lehman Metals, is challenging the validity of the rule by which the London Metal Exchange imposed a fixed settlement price on outstanding contracts following the ITC's collapse in 1985.

Shearson and other parties to the case have obtained copies of ITC documents which they wish to include as evidence.

Professor Rosalyn Higgins, QC, for the ITC, told Mr Justice Webster that there were three legal bases for the non-disclosure claim: inviolability, arising from the ITC's status as an international organisation created by treaty, and the English law bases of confidentiality and public interest immunity—that it would not be in the public interest for the documents to be made public.

The ITC argued that neither its documents, nor copies of them nor experts' reports derived from them were admissible as evidence without the ITC's consent.

The hearing continues today.

EC to mount campaign against swine fever

BY TIM DICKSON IN BRUSSELS

CLASSICAL swine fever should be eradicated from the European Community by 1992, under a new programme agreed by Farm Ministers in Luxembourg this week.

The decision was immediately welcomed by the UK's junior Farm Minister Mr John Gummer, who said it represented an important boost for Britain's growing pigmeat exports within the EC and elsewhere, notably to Japan.

Ireland and Denmark have also been fighting hard for the measures, which require member states to slaughter pigs following an outbreak of the disease and impose bans on the movement of animals and, for the first time, on lightly processed pigmeat products for three months thereafter. The EC budget will make a 50 per cent contribution to slaughter costs with the rest paid for out of national funds.

Classical swine fever—which does not endanger human health but has certain debilitating physical effects on pigs—is common in many continental European countries (notably Belgium) but Britain has been largely free of the disease since taking action in the 1960s. A couple of recent outbreaks in the UK prompted concern that the virus was being "imported" into the country via lightly processed products from other member states (essentially via scraps of meat getting back into pigs as feedstuffs), a probability subsequently confirmed by Community scientists.

The danger, according to Mr Gummer, is that export customers are extremely concerned that the meat they buy should be free of diseases. Meat and Livestock Commission figures show that British pork exports last year (mostly inside the EC) exceeded 50,000 tonnes.

Japanese win Canadian coal price cut

By Maurice Samuelson

BRITISH COLUMBIA'S Bull Moose coal mine is the latest international supplier to concede a substantial price cut to the Japanese steel industry, a Japanese steel official said yesterday.

After five months of hard bargaining, Teck Corporation, supplier of Bul Moose coal, was said by Japanese officials to have agreed to cut its base price to C$91.77 a tonne FOB for the year from April 1, down C$14 from 1986-87—equivalent to a new price of US$66 and a cut of US$10.22 a tonne.

The agreement, announced by Nippon Kokan KK, may hasten negotiations between the Japanese steel mills and two other large suppliers in British Columbia — Quintette Coals, with whom talks began in Tokyo yesterday, and the Gregge River mine, with whom discussions will be held later this month.

The Japanese steel and electricity industries have already won sizeable price cuts from coal shipers in Australia, the US, South Africa and elsewhere.

China to get tough with miners

BY ROBERT THOMSON IN PEKING

THE Chinese Government has attacked disorder in the mining industry, foreshadowing the introduction of much tougher controls over the many individual miners and collective mining companies now competing with state-run companies.

An article in the People's Daily, the main Communist Party newspaper, complained that collective enterprises and individuals are "scrambling for mineral resources" and do not understand that state-owned mineral resources "can't be regarded as meat in the big pot from which everyone can take a bite."

The paper also criticised the management of some state-owned mines, and suggested that only a third of all mines with a variety of minerals are being fully exploited.

The Ruqigou coal mine in Ningxia, in the north, was named as a particularly poor performer. For every tonne mined, five tonnes are lost because of "poor mining methods and management," it said.

Individual mining has been encouraged under China's economic reforms, but the People's Daily report suggests that the Government will rein in mine what. The Government has been disappointed by the failure of individual gold miners to turn in finds to the state.

Last year, 846 cases of gold smuggling were discovered and 173.5 kg of gold was confiscated, the People's Daily said that tungsten and tin smuggling is also a problem. The Government lifted the gold purchase price to around $241.90 an ounce from $188.40 an ounce, but miners realise that they stand to earn far more by selling to the world market.

Rural collectives and private entrepreneurs are estimated to be producing a quarter of the country's coal, a third of its iron ore, and a fifth of its gold. The Government has attempted to regulate mining through a licence system, but the lax control over individuals in remote areas has given them much freedom.

Coal industry officials estimate that more than 300 small coal mines are competing for coal with the large state-run Huainan coal mine in Anhui province, and, in another unidentified province, most of the 11,000 private mining enterprises are working on the land of state-run mining corporations.

The growth of private and collective mining companies has also contributed to a lack of order in China's exports, as provincial import/export corporations are selling more than expected on the world market because of the increased winning of resources.

For example, the China National Non-ferrous Metal Import and Export Corporation has complained that the world price of tungsten, of which China is the largest producer, has been hurt by provincial enterprises exporting more than allowed. As a result, the corporation is attempting to centralise exports.

Diplomats suggest that as much as disorderly mining, the press criticism reflects the anger of state-run companies, which have had their monopoly undermined by the relaxation of central control. Those companies are no doubt lobbying the Government for changes.

China Legal News also highlighted the private mining problem by reporting a fatal cave-in at a tin mine at Hunan province, in the south. The former state mine was re-opened by ambitious peasants, 18 of whom died in the accident last month.

The legal newspaper said that local officials had not stopped peasant miners because they did not want to restrict people from "getting rich." To "get rich through labour" is one of the *catchphrases of the economic reform programme*, and reference to it in this context shows the issue has become politically sensitive.

LONDON MARKETS

COFFEE PRICES came under renewed pressure on the London futures market yesterday as fears of a damaging frost in Brazil eased. Market sentiment was also influenced by anticipation of the Brazilian National Coffee Council's meeting tomorrow, at which 1987-88 crop prospects may be discussed.

Dealers said the market was already discounting a Brazilian crop of between 30m and 35m bags (60 kilos each). The net result was a £35.50 fall in the September futures position to £1,253.50 a tonne, the lowest level for 10 weeks. Cocoa futures prices eased back a little following the strong gains registered earlier in the week. Hedging against producer sales was quoted as a factor as the September position fell £6 to £1,254.50 a tonne. The easier tone was only partly counteracted by further buying on behalf of the International Cocoa Organisation's buffer stock, dealers said. The sharpest movement on the London Metal Exchange was cash zinc's £8 fall to £544 a tonne. Dealers attributed this to selling by an "influential" merchant which they said caused buyers to back away.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1580-2	+11.5	1580/576

Official closing (am): Cash — (—), three months 1,577-8 (1,571-5), settlement — (—). Final Kerb close: 1,580-82. Turnover: 1,100 tonnes.

99.5% purity	£ per tonne		
Cash	917-9	+10	918/916
3 months	905-6	+5	906/901

Official closing (am): Cash 916-5 (910-1), three months 900-1 (900-1), settlement 916 (911). Final Kerb close: 905-6. Turnover: 13,850 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	969-71	—5.5	970/968
3 months	952-3	—5	956/949

Official closing (am): Cash 967-8 (983-4), three months 950-1 (963.5-4), settlement 968 (984). Final Kerb close: 953-4.

Standard			
Cash	950-2	—5.5	—
3 months	930-5	—4	—

Official closing (am): Cash 964-6 (973-5), three months 930-4 (943-4), settlement 966 (976). US Producer prices 74-78.5 cents per pound. Total turnover 28,150 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	372-3	+4	380/372
3 months	354-5	+5	358/349

Official closing (am): Cash 379-80 (369-70), three months 358-9 (353.5-4), settlement 380 (370). Final Kerb close: 354-4.5. Turnover 8,625 tonnes. US Spot: 24-37 cents per pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	2790-5	+11.5	—
3 months	2827-30	+12	2835/820

Official closing (am): Cash 2,788-93 (2,795-800), three months 2,821-5 (2,835-6), settlement 2,793 (2,800). Final Kerb close: 2,815-20. Turnover 1,626 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	543-5	—8	—
3 months	516-9	—7.25	525.5/517

Official closing (am): Cash 546-8 (557-8), three months 518-9 (527-8), settlement 548 (558). Final Kerb close: 520-2. Turnover: 15,275 tonnes. US Prime estern: 46.5-48.5 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		July	Sept.	July	Sept.
Aluminium 99.5%	1,475	—	—	19	47
	1,500	29½	32½	30	61½
	1,525	19½	24	—	—
Copper (Grade A)	1,550	—	—	24	47
	1,575	27½	32	35½	64½
	1,600	18½	24	—	—
Copper (Grade A) £/tonne	950	—	—	12½	24½
	975	12½	17½	24	38
	1000	5½	10	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET: Close 16.60 (16.60) ringgit per kg.

GOLD

GOLD BULLION (fine ounce)	June 18	
Close	$451-451½	(£277¼-277¾)
Opening	$450¼-460¾	(£275½-276)
M'n'g fix	$451.10	(£275.735)
Aft'n'n fix	$452.20	(£276.998)
Day's high	$452½-453	—
Day's low	$447¼-447¾	—

GOLD AND PLATINUM COINS		
Am Eagle	$463-468	(£284¼-287¼)
Mapleleaf	$463-466	(£284¼-286)
Kr'g'rnd	$450-453	(£276¼-278)
½ Krug	$235¾-236¾	(£144¾-145¼)
¼ Krug	$117-118	£71¾-72½)
Angel	$459½-461½	(£282-283¼)
1/10 Angel	$44½-49½	(£27¼-30¼)
New Sov.	$105½-107	(£64¾-65¼)
Old Sov.	$105½-107	(£64¾-65¾)
Noble Plat	$590-600	(£362 366¼)

INDICES

REUTERS

June 17	June 16	M'th ago	Year ago
1617.9	1620.2		

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 17	June 16	M'th ago	Year ago
Spot	128.57	129.89	—	124.69
Fut	126.47	127.57	—	114.69

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	June 18 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1595/615	+10	$1550/570
Copper			
Cash Grade A	£970	—5.5	£906.5
3 months	£952.5	—5	£869.5
Gold Troy oz	$451.25	—1	$470
Lead Cash	£372.5	+4.0	£437.5
3 months	£354.5	+5.0	£381.25
Nickel			
Free Mkt	207/227c		188/218c
Palladium oz	$139.75	—0.75	$147.25
Platinum oz	$573.75	—3.75	$611.00
Quicksilver	$250/260		$265/275
Silver troy oz	458.40p	—0.10	553.95p
3 months	468.40p	—0.10	545.25p
Tin			
Free Mkt	£4120/150		£4119/130
Tungsten	$56.16		$51.47
Wolfram 22.04lb	$45/55		$50/55
Zinc	£544	—8	£487.5
3 months	£516.5	—7.25	£493.5
Producers	$842		$790/840
OILS			
Coconut (Phil)	$457.5z	—7.5	$416
Palm Malayan	‡		$547.5
Seeds			
Copra (Phil)	$295y		$286
Soyabean (U.S.)	$162.5		$146.5
GRAINS			
Barley Fut. Sept	£96.60	—0.40	£97.85
Maize	£155.00		£149.00
Wheat Fut. Sept	£99.60	—0.15	£101.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1254.5	—6.0	£1265
Coffee Ft. Sept	£1253.5	—35.5	£1371
Cotton A Ind.*	80.25c	—0.75	78.20c
Gas Oil Aug.	$157.75	—0.75	$153
Rubber (kilo)	62.25p	—1.25	63.5p
Sugar (raw)	$174.6x	+1.8	$175
Wooltops 64s	45/p kilo		455p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v July. z June/July. x July/Aug. y Aug.

SILVER

Silver was fixed 0.1p an ounce higher for spot delivery in the London bullion market yesterday at 458.4p. US cent equivalents of the fixing levels were: spot 749c, up 1.5c; three-month 762.4c, up 1.4c; six-month 776.05c, up 1.65c; and 12-month 804.2c, up 1.2c. The metal opened at 452-462p (750-754c) and closed at 460-463p (750-754c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	458.40p	—0.10	459.0p	—
3 months	468.40p	—0.10	469.0p	—
6 months	476.25p	—0.05	—	—
12 months	497.65p	—0.40	—	—

LME—Turnover: 0 (21) lots of 10,000 oz.

Three months final kerb 468-70p.

COFFEE

Prices tested contract lows as trade selling drove prices lower, reports Drexel Burnham Lambert. Against a weak New York close London opened under pressure from light commission house selling. By mid-morning trade selling had pushed levels towards the lows. New York opened easier than expected and robustas fell to the contract lows but failed to break then. A light short-covering rally lifted prices £10.

COFFEE	Yesterday close	+ or —	Business done
July	1240-1245	—24.5	1257-1230
Sept	1252-1255	—35.5	1280-1250
Nov	1282-1285	—30.5	1300-1275
Jan	1302-1304	—25.5	1315-1295
Mar	1320-1325	—26.5	1333-1315
May	1340-1345	—23.5	1340-1337
July	1350-1360	—15.0	—

Sales: 5,256 (2,995) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for June 17: Comp. daily 1979 98.91 (101.59): 15-day average 105.21 (105.83).

COCOA

Prices were held in a narrow range throughout a quiet day with closing levels at the lows. Buffer stock purchasing of 2,000 tonnes took the recent purchases to 70,000 tonnes. Some light consumer and producer interest was also apparent, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1276-1277	—5.0	1281-1276
Sept	1254-1255	—6.0	1260-1254
Dec	1280-1282	+0.5	1282-1277
March	1298-1299	—3.0	1301-1297
May	1317-1319	—0.5	1320-1318
July	1334-1337	—1.0	1338-1335
Sept	1352-1354	+1.5	1358-1354

Sales: 3,475 (3,663) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for June 17: 1556.27 (1552.94); 10-day average for June 18: 1520.09 (1516.16).

FREIGHT FUTURES

Lower fixtures on Gulf/Japan and Gulf/Continental routes led to the BFI being announced 12 points lower. Futures echoed Wednesday's action with levels generally under pressure throughout the day but recovering to rest on the technical support area at the close, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	847/850	847/837	851
Oct.	920/925	920/915	915
Jan.	920	920/910	924
Apr.	975	—	980
July	1020	—	—
Oct.	—	—	—
Jan.	900	—	—
April	1070	1070	—
BFI.	948.5	—	960.5

Turnover: 101 (198).

GRAINS

Old crop wheat steadied sharply on lack of offers before retreating on long liquidation. New crops, after early steadiness, found keen country hedge selling to close with sellers over, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	118.65	+0.55	—	—
Sep.	99.60	—0.15	96.60	—0.40
Nov.	101.60	—0.40	99.25	—0.15
Jan.	104.30	—0.50	101.60	—0.20
Mar.	106.85	—0.40	103.90	—0.20
May	109.60	—0.20	105.85	—0.05
July	111.45	—0.20	—	—

LONDON GRAINS—Wheat: US dark northern spring No. 2 14 per cent July-Aug-Sept 93.00. US No. 2 soft red winter July 85.75, Aug 87.00, Sept 88.50. French 11½-12 per cent June 143.00. English feed fob July 121.75/12.25, Sept 101.00/102.00, Oct/Dec 105.00/105.00, Jan/March 109.00/109.50 buyer/sellers. Maize: US No. 3 yellow/French transhipment east coast spot 155.00. Barley: English feed fob Aug 98.00, Sept 100.00 sellers. Oct/Dec 103.00/104.00, Jan/March 107.00/108.00 buyer/sellers.

HGCA—Locational ex-farm spot prices: Feed barley: S. East 102.60, N. West 102.90. The UK monetary coefficient for the week beginning Monday June 22 will remain unchanged.

Business done—Wheat: July 118.95-8.60, Sept 99.80-9.60, Nov 102.20-1.60, Jan and March untraded, May 109.80, July 111.50. Sales: 136 lots of 100 tonnes. Barley: Sept 96.80-6.60, Nov 99.60-9.30, Jan 101.90-1.60, March untraded, May 106.50-5.85. Sales: 132 lots of 100 tonnes.

POTATOES

The market was immediately firmer with good buying interest on the opening. A stronger old crop physical market and speculation over planted area with carry-over stock figure doubts continued to push prices higher on thin traded volumes, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	93.30	90.80	93.00-92.00
Feb.	99.00	99.00	—
Apr.	133.60	130.20	137.70-130.90
May	146.90	143.50	146.90-144.00

Sales: 687 (256) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.25-17.35	+0.025
Brent Blend	18.95-19.00	+0.05
W.T.I. (1pm est)	20.45-20.50	+0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	197-200	—0.5
Gas Oil	154-156	—1
Heavy fuel Oil	106-108	—3
Naphtha	168-170	—1.0

Petroleum Argus estimates.

RUBBER

PHYSICALS — The London market opened slightly steadier, found little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 62.25p (63.50p); July 62.25p (62.50p); Aug 62.00p (62.25p). Kuala Lumpur fob prices (Malaysian/Singapore cents) per kg: RSS No. 1 246.0 (same); SMR 20 211.0 (210.0).

US MARKETS

IN EXTREMELY lacklustre trading previous metals held barely steady, trading in ranges established early in the session, reports Drexel Burnham Lambert. Early trade buying in the gold disappeared before locals liquidated. Trade selling in silver counteracted commission house buying. In copper, activity was focussed on switches. The trade was a seller on July/December and the funds sold July/September, on balance weakening the market. Crude oil held steady on trade and local buying in the face of speculative selling. Sugar steadied in early trading as commission houses bought while the trade was a seller but as the market dipped below 7 cents, commission houses liquidated and the trade bought. Coffee fell on reports that Brazil may re-open registrations. Funds and speculators sold and buying was on a price-fix basis. Wheat was well supported as a result of rains in the hard wheat-growing areas. Maize eased reflecting weaker cash basis. Local and professional selling kept maize and the soyabean complex under pressure. Commercial selling in new crop soyabeans reflected purchases from the government. Commercial buying held the meats steady. Local spreaders were a noted buyer of October cattle. Liquidation was noted in the expiring June contract. Pork bellies and hogs also rallied in response to firmer cash prices.

GOLD 100 troy oz. $/troy oz

	Close	Prev	High	Low
June	450.9	447.8	452.2	450.8
July	452.0	448.9	—	—
August	454.8	451.8	456.7	453.5
Oct	459.9	457.1	461.7	458.0
Dec	465.2	462.4	467.5	464.9
Feb	470.8	468.0	473.0	471.0
April	475.5	473.6	478.5	478.5
June	482.4	479.5	483.2	483.2
August	488.6	485.7	489.0	489.0
Oct	494.9	493.0	495.2	495.2
Dec	501.2	498.3	501.0	501.0
Feb	507.6	504.7	509.0	509.0

ORANGE JUICE 15,000 lbs. cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lbs, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,00 bu min, cents/60 lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES: Chicago loose lard 15.00 (14.50) cents per pound. Handy and Harman silver bullion 750.0 (749.5) cents per troy ounce. New York tin 312-6 (312-6) cents per pound.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
July	20.57	20.39	20.57	20.30
August	19.94	19.86	19.95	19.73
Sept	19.67	19.60	19.67	19.50
Oct	19.54	19.49	19.55	19.39
Nov	19.44	19.41	19.45	19.32
Dec	19.38	19.35	19.39	19.26
Jan	19.31	19.29	19.31	19.21
Feb	19.22	19.24	—	—
March	19.27	19.19	19.27	19.19
April	19.16	19.14	19.16	19.12

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
July	52.76	52.68	52.75	52.35
August	53.05	53.06	53.15	52.65
Sept	53.76	53.60	53.75	53.25
Oct	54.40	54.30	54.40	54.00
Nov	55.00	54.95	55.00	54.70
Dec	55.60	55.60	55.60	55.25
March	54.25	54.25	54.25	54.20

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]

Sales: 352 (196) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $174.60 (£107.00), up $1.80 (up 90p) a tonne for July-August delivery. White sugar $183.80, up $1.00.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: 1,781 (1,852) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £211.00 (£210.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for June 17: Daily price 6.62 (6.50); 15-day average 6.42 (6.40).

GAS OIL FUTURES

Month	Yesterd'ys close US $ per tonne	+ or —	Business done
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Turnover: 1,013 (2,048) lots of 100 tonnes.

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling shows late fall

STERLING LOST ground towards the end of the day as gilts and equities reacted badly to a rise in bank lending. The figure showed a rise of £2.7bn which was a little higher than expected and although there was little immediate reaction, the pound fell away towards the close to finish at the day's lows. Its exchange rate index which had been steady at 73.0 for most of the day, finished at 72.7, down from Wednesday's close of 73.0.

Other economic statistics were a little more encouraging with unemployment figures for May showing a record fall of 64,000 to 2.95m while industrial production *for April rose by 0.3 per cent.* This was down from a previous rise of 0.5 per cent but better than market expectations of a 0.1 per cent rise. Elsewhere there was a 1 per cent rise in unit wage costs against 0.7 per cent the previous month and an underlying rise in average earnings of 7¾ per cent, up ¼ per cent on a year-on-year basis compared with March.

The pound fell to $1.6295 from $1.6335 and DM2.9725 from DM2.9625. Against the yen it was lower at Y235.75 from Y236.25. Elsewhere *it slipped to* SFr2.47 from SFr2.48 and FFr9.9225 compared with FFr9.9550.

The dollar was confined to a narrow range and finished *slightly* down from Wednesday's levels. Its failure to break through significant resistance levels brought the recent spell of bullishness into question and while many dealers remained optimistic, there was insufficent inmpetus to push the US unit firmer.

Economic data released yesterday failed to stir much interest US personal income rose by 0.2 per cent in May after a revised 0.4 per cent rise in April while expenditure rose a modest 0.1 per cent after a 0.6 per cent increase in April.

The dollar closed at DM 1.8240 from DM 1.8265 and Y144.60 against Y144.65. Elsewhere it finished at FFr 6.09 from FFr 6.0950 and SFr 1.5156 compared with SFr 1.5180. On Bank of England figures, the dollar's exchange rate index finished at *102.0 from 101.9.*

D-MARK—Trading range against the dollar in 1987 is 1.9035 to 1.7690. May average 1.7887. Exchange rate index 146.6 against 148.0 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Hamburg when the dollar was fixed at DM 1.8238 up from DM 1.8190. The fixing took place in Hamburg since Frankfurt and most other centres were closed for a public holiday. Because of this trading was extremely quiet and in the absence of any fresh factors, the dollar was confined to a narrow range.

Consequently there seemed little prospect of much activity in the afternoon with most traders content to stay on the sidelines and start afresh on Monday.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. May average 140.55. Exchange rate index 220.9 against 218.6 six months ago.

Uncertainty kept the dollar within a relative range in Tokyo. It closed at Y144.65 which was down from Y145.05 in New York and Y145.10 in Tokyo on Wednesday. *While the short term bullish feel* remained, the dollar needed further stimulus before moving ahead.

Early trading had seen speculators take profits and this pushed the rate down to Y144.50 at which point the buyers returned but again there seemed to be resistance at around Y145.0. This led many dealers to claim that barring fresh economic data, the dollar was likely to stay in a narrow range.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0352	+1.16	+0.73	±1.5344
Danish Krone	7.85212	7.81096	−0.52	−1.15	±1.6404
German D-Mark	2.05853	2.07617	+0.86	+0.23	±1.0981
French Franc	6.90403	6.93574	+0.46	−0.17	±1.3674
Dutch Guilder	2.31943	2.33959	+0.87	+0.24	±1.5012
Irish Punt	0.768411	0.775271	+0.89	+0.26	±1.6684
Italian Lira	1483.58	1501.32	+1.20	+1.07	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 18	Latest	Previous Close
£ Spot	1.6305-1.6315	1.6275-1.6285
1 month	0.24-0.23 pm	0.24-0.23 pm
3 months	0.65-0.62 pm	0.65-0.62 pm
12 months	1.86-1.76 pm	1.86-1.76 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

June 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6265-1.6360	1.6290-1.6300	0.26-0.23c pm	1.80	0.72-0.67 pm	1.71
Canada	2.1818-2.1925	2.1860-2.1870	0.16-0.03c pm	0.52	0.27-0.08 pm	0.32
Netherlands	3.34¼-3.36	3.34¼-3.35¼	1⅛-⅞c pm	3.58	3-2⅞ pm	3.44
Belgium	61.47-61.85	61.55-61.65	14-8c pm	2.14	37-26 pm	2.05
Denmark	11.15¼-11.22	11.17-11.18	⅛-1½ore dis	−0.87	1⅞-2⅞ dis	−0.81
Ireland	1.1085-1.1125	1.1095-1.1105	0.08-0.17 p dis	−1.35	0.27-0.50 dis	−1.39
W. Germany	2.96¼-2.98½	2.96¾-2.97¾	1⅜-1⅛pf pm	5.05	3⅞-3½ pm	4.37
Portugal	230.85-233.60	230.85-231.85	68-126c dis	−5.03	287-424 dis	−6.15
Spain	205.55-206.95	205.55-205.85	68-126c dis	56663	174-404 dis	−5.62
Italy	2143½-2156½	2148½-2149½	1-4 lire dis	−1.40	5-11 dis	−1.49
Norway	10.89¾-10.96¼	10.92½-10.93½	4⅝-5⅞ ore dis	−5.49	14¾-15½ dis	−5.54
France	9.90½-9.97	9.91¾-9.92¾	½-¼ c pm	0.60	1¼-½ pm	0.35
Sweden	10.33¾-10.38½	10.35-10.36	⅛-⅛ ore dis	0.51	5 pm-⅛ dis	0.10
Japan	235¼-236½	235¼-236¼	1-⅞ y pm	4.77	3-2¾ pm	4.88
Austria	20.84-20.96	20.84-20.87	9-7 gro pm	4.60	25-22 pm	4.51
Switzerland	2.46½-2.47¼	2.46½-2.47¼	1-⅞c pm	4.25	3-2¾ pm	4.66

Belgian rate is for convertible francs. Financial franc 61.70-61.80. Six-month forward dollar 1.33-1.28 c pm. 12-month 2.10-2.00c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6265-1.6390	1.6230-1.6300	0.26-0.23c pm	1.80	0.72-0.67 pm	1.71
Ireland†	1.4660-1.4708	1.4670-1.4680	0.41-0.36c pm	3.15	1.21-1.09 pm	3.14
Canada	1.3402-1.3420	1.3410-1.3420	0.12-0.17c dis	−1.30	0.43-0.50dis	−1.39
Netherlands	2.0500-2.0575	2.0545-2.0555	0.31-0.28c pm	1.72	0.99-0.94 pm	1.88
Belgium	37.72-37.86	37.75-37.85	3pm-par	0.48	7-2 pm	0.48
Denmark	6.84½-6.87¼	6.85½-6.86	0.90-1.60ore dis	−2.19	3.10-3.80 dis	−2.01
W. Germany	1.8190-1.8285	1.8235-1.8245	0.51-0.48pf pm	3.26	1.55-1.50pm	3.34
Portugal	142-142½	142-142¼	85-110c dis	−8.22	270-320 dis	−8.30

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.85-37.95

FINANCIAL FUTURES

Gilts down on money supply

GILT PRICES surrendered early gains as the market showed its disappointment with the latest UK money supply figures. A larger than expected rise in bank lending of £2.7bn in May gave concern because of the implications for inflation.

Wednesday's comments by Mr Nigel Lawson, Chancellor of the Exchequer, claiming that recent economic growth was not due to a credit based consumer boom failed to overcome investors' anxieties and after touching a high of 127-01 in the morning, the September contract fell back sharply to a low of 125-15 before closing at 125-16 down from 126-24 on Wednesday.

Prices had started on a quiet but slightly stronger note but the trend was soon reversed after the release of money supply figures. The weaker tone was accelerated towards the close as sterling lost ground.

Three-month sterling deposits acted in much the same way, opening on a steady note and falling away during the afternoon as any remaining prospects of an early cut in clearing bank base rates took another bad knock. The September price opened at 91.29 unchanged from Wednesday and touched a high of 91.33 before slipping away to a low of 91.10. It closed at 91.13.

US Treasury bonds and three-month Euro-dollar deposits were confined to a narrow range in rather featureless trading. Traders derived little inspiration from a lacklustre dollar and both sectors lacked incentive to move out of recent trading ranges. The September bond price opened at 93-00 which was seen as a major resistance level and eased to a low of 92-07 before closing at 92-14 compared with 92-17 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	7.45	8.17	0.13	0.57
120	5.59	6.47	0.27	1.23
122	4.23	5.23	0.56	1.63
124	3.00	4.11	1.32	2.51
126	1.62	3.11	2.30	3.51
128	1.13	2.22	3.45	4.62
130	0.40	1.44	5.08	6.20
132	0.23	1.12	6.55	7.52

Estimated volume total, Calls 2,617 Puts 1,787
Previous day's open int: Calls 22,951 Puts 14,366

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	8.34	8.11	0.06	0.43
86	6.43	6.38	0.15	1.06
88	4.62	5.12	0.34	1.44
90	3.31	3.63	1.03	2.31
92	2.18	2.62	1.54	3.30
94	1.18	2.09	2.54	4.41
96	0.44	1.32	4.16	6.00
98	0.22	1.02	5.58	7.34

Estimated volume total, Calls 20 Puts 4
Previous day's open int: Calls 1642 Puts 546

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last July	Puts—Last June	Puts—Last July
22000	10.84	16.88	0.09	1.08
22250	8.49	14.81	0.24	1.51
22500	6.31	12.85	0.56	2.05
22750	4.40	11.04	1.15	2.74
23000	2.85	9.37	2.10	3.57
23250	1.69	7.85	3.44	4.55
23500	0.92	6.50	5.17	5.70
23750	0.45	5.31	7.20	7.01

Estimated volume total, Calls 19 Puts 11
Previous day's open int: Calls 517 Puts 707

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6649	0.6666	0.6640	0.6603
Dec.	0.6714	0.6730	0.6700	0.6663
Mar.	0.6785	0.6785	0.6785	0.6723

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	304.65	304.65	303.60	305.50
Sept.	306.75	306.75	305.60	307.55
Dec.	—	308.80	307.50	309.75
Mar.	—	—	310.20	311.80

MONEY MARKETS

Large shortage boosts rates

A LARGER than expected shortage accounted for the rise in short term interest rates in the London money market yesterday. The reluctance by discount houses to part with paper at official dealing rates and the authorities' reluctance to change the latter meant that meeting the shortage was likely to prove awkward.

UK clearing bank base lending rate 9 per cent since May 8

Longer term rates were also firmer as the market reacted to less than encouraging bank lending figures. Three-month interbank money was quoted 8 11/16-8 13/16 per cent up from 8 11/16-8¾ per cent on Wednesday.

Overnight money opened at 8⅞-8⅝ per cent and rose to 9⅛ per cent before slipping away to around 3 per cent. However in late trading the rate was pushed up to 10 per cent.

The Bank of England forecast a shortage of around £1,000m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills *draining* £652m and Exchequer transactions a further £215m. There was also a rise in the note circulation of £50m and banks brought forward balances £100m below target.

To help alleviate the shortage, the Bank offered an early round of assistance which resulted in outright purchases of £15m of eligible bank bills in band 2 at 8⅞ per cent.

Further assistance in the morning came to £15m through outright purchases of eligible bank bills, £10m in band 1 and £5m in band 2.

The forecast was revised to a shortage of around £1,100m before taking into account the earlier help and the Bank gave additional assistance in the afternoon of £1,111m through outright purchases of £63m of Treasury bills and £465m of eligible bank bills in band 1 and £19m of Treasury bills and £546m of eligible bank bills in band 2 all at 8⅞ per cent. Total help came to £1,141m.

In Brussels the Belgian central bank announced cuts in short term Treasury bill rates. One-month certificates were cut to 6.75 per cent, two-month to 6.80 per cent and the three-month rate to 6.85 per cent. The new rates all represent a reduction of 0.1 per cent. *The lower rates reflected a* decline in domestic money market rates although the discount rate was expected to remain unchanged at 7.75 per cent.

$WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 17, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.13418 SDR1=$US1.28256
As of June 17, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7 3/16	7⅜
Sibor:	7 3/16	7⅜

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.2051
Algeria	Dinar	4.67
Andorra	French Franc	6.112
	Spanish Peseta	127.20
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	1.719
Aruba	Florin	1.79
Gibraltar	Pound*	1.6277
Greece	Drachma	136.97
Greenland	Danish Krone	6.884
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	6.112
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	2.73
Guinea Bissau	Peso (1)	650.00
Papua New Guinea	Kina	0.8975
Paraguay	Guarani (o)	240.00
	Guarani (p)	550.00
	Guarani (d)	794.50
Peru	Inti (o) (a)	15.89
	Inti (f)	24.75
	Inti (f)	19.88
Philippines	Peso	20.45
Pitcairn Islands	N.Z. Dollar	1.6832

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the *Institute of Actuaries* and the *Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	THURSDAY JUNE 18 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY JUNE 17 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (94)	136.68	+0.0	124.35	125.77	3.11	136.69	124.06	125.87	140.95	99.92	88.91
Austria (16)	86.29	-0.1	78.51	81.76	2.30	86.34	78.36	81.76	101.62	85.94	84.60
Belgium (47)	117.16	-0.2	106.60	109.51	4.37	117.36	106.51	109.25	123.62	96.19	77.62
Canada (127)	126.59	+0.1	115.18	122.97	2.38	126.48	114.79	122.77	136.17	100.00	97.87
Denmark (39)	120.74	+0.5	109.86	112.62	2.44	120.16	109.06	112.28	124.10	98.18	92.48
France (122)	106.49	-2.0	96.89	101.73	2.72	108.63	98.59	103.86	121.82	98.39	78.59
West Germany (90)	93.01	+0.2	84.62	88.20	2.11	92.81	84.23	88.13	100.33	84.00	83.82
Hong Kong (45)	119.87	-1.1	109.06	120.10	2.86	121.24	110.04	121.51	121.24	96.89	71.16
Ireland (14)	129.86	+0.5	118.15	124.69	3.59	129.20	117.26	124.05	131.86	99.50	84.42
Italy (76)	101.62	+0.4	92.46	100.11	1.81	101.24	91.89	99.73	112.11	94.76	78.16
Japan (458)	155.94	-0.9	141.88	142.54	0.47	157.32	142.79	143.85	161.28	100.00	78.71
Malaysia (36)	170.47	+0.5	155.10	165.10	2.29	169.55	153.88	164.34	172.55	98.24	82.78
Mexico (14)	256.95	+2.2	233.78	369.85	0.60	251.35	228.13	360.28	256.95	99.72	49.33
Netherland (38)	118.85	-0.4	108.14	111.48	3.96	119.37	108.34	112.01	120.14	99.65	88.75
New Zealand (27)	100.20	+0.5	91.16	89.36	3.05	99.69	90.48	89.12	100.59	83.93	68.72
Norway (24)	138.97	-0.2	126.44	126.52	1.99	139.27	126.40	126.70	140.05	100.00	100.74
Singapore (27)	142.59	+0.5	129.74	139.21	1.77	141.85	128.75	138.78	144.47	99.29	78.25
South Africa (61)	158.23	+1.7	143.96	117.27	3.44	155.57	141.19	117.29	186.74	100.00	79.22
Spain (43)	114.42	+0.0	104.11	109.61	3.69	114.38	103.81	109.61	121.31	100.00	82.46
Sweden (33)	115.39	-0.4	104.98	108.55	2.12	115.79	105.09	108.76	124.68	90.85	88.67
Switzerland (51)	95.41	+0.1	86.81	89.64	1.91	95.34	86.53	89.73	104.06	92.01	83.03
United Kingdom (335)	149.74	-1.1	136.24	136.24	3.14	151.46	137.47	137.47	151.46	99.65	98.79
USA (593)	125.17	+0.3	113.88	125.17	2.90	124.85	113.32	124.85	125.17	100.00	102.05
Europe (928)	120.87	-0.7	109.97	112.78	2.85	121.71	110.46	113.46	121.71	99.78	88.66
Pacific Basin (687)	153.84	-0.8	139.97	141.00	0.63	155.14	140.81	142.25	158.64	100.00	78.82
Euro-Pacific (1615)	140.70	-0.8	128.01	129.75	1.39	141.81	128.71	130.77	143.34	100.00	82.71
North America (720)	125.24	+0.2	113.95	125.07	2.87	124.94	113.39	124.76	125.24	100.00	101.83
World Ex. US (1817)	140.46	-0.7	127.79	130.16	1.45	141.48	128.41	130.16	143.09	100.00	83.18
World Ex. UK (2075)	132.97	-0.3	120.98	127.23	1.84	133.35	121.03	127.64	133.55	100.00	89.80
World Ex. So. Af. (2349)	134.31	-0.4	122.20	128.12	1.96	134.83	122.38	128.62	134.83	100.00	90.63
World Ex. Japan (1952)	124.26	-0.1	113.06	120.83	2.87	124.35	112.86	120.90	124.35	100.00	96.24
The World Index (2410)	134.46	-0.4	122.34	128.06	1.97	134.97	122.50	128.55	134.97	100.00	90.56

Base values: Dec 31, 1986 = 100

Latest prices unavailable for this edition.

Prices for Denmark and Austria were not available for June 16.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Last	Nov 87 Vol.	Last	Feb 88 Vol.	Last	Stock
GOLD C	$460	88	14	83	26.50	—	—	$451.70
GOLD C	$500	25	4.00	11	14	2	21.50	"
GOLD C	$520	—	—	190	10	300	15.50	"
GOLD P	$400	—	—	20	4.50	—	—	"
GOLD P	$420	60	3.50	—	—	—	—	"
GOLD P	$440	18	8.50	119	15	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$650	13	110	—	—	13	170	$755
SILVER C	$700	30	45	—	—	2	150A	"
SILVER C	$750	4	2	6	75	75	110	"
SILVER C	$850	—	—	—	—	70	70	"
SILVER C	$900	—	—	29	30	—	—	"
SILVER C	$1000	—	—	3	20	17	40	"
SILVER C	$1050	—	—	101	12	—	—	"
SILVER P	$800	35	4550	8	90	3	105	"
£/FL C	Fl.335	256	0.50	—	—	—	—	Fl.335
		Jun 87		Jul 87		Aug 87		
$/FI C	Fl.195	31	10.20	—	—	—	—	Fl.205.52
$/FI C	Fl.200	130	5.60B	—	—	—	—	"
$/FI C	Fl.205	322	0.40	90	2.30	12	3.60	"
$/FI C	Fl.210	—	—	13	0.80A	3	1.70	"
$/FI P	Fl.205	30	0.20B	7	2.60	10	3.50	"
$/FI P	Fl.210	35	4.60	—	—	—	—	"
$/FI P	Fl.225	20	19.60	—	—	—	—	"
		Sep 87		Dec 87		Mar 88		
$/FI C	Fl.200	—	—	10	8	36	8.80	Fl.205.52
$/FI C	Fl.205	104	3.90	—	—	1	6.70	"

		July 87 Vol.	Last	Oct 87 Vol.	Last	Jan 88 Vol.	Last	Stock
ABN C	Fl.480	296	4.20B	96	13.00	6	23	Fl.466
AEGON C	Fl.90	279	3	68	5.70	85	7.50	Fl.91.30
AEGON P	Fl.90	66	1.80B	—	—	—	—	"
AHOLD C	Fl.95	115	1.80	6	4.70	—	—	Fl.93.90
AHOLD P	Fl.95	56	2.30B	6	4.50	—	—	"
AKZO C	Fl.140	959	4.30	372	9.50	80	12.40	Fl.142.20
AKZO P	Fl.140	407	2.60	176	5.10	69	7.20	"
AMEV C	Fl.60	97	4.70	77	6.50	—	—	Fl.64.80
AMEV P	Fl.65	21	2.20	130	3.70	6	3.70	"
AMRO C	Fl.75	125	1.20A	135	3	32	4.60	Fl.73.10
AMRO P	Fl.75	85	2.70A	23	4.50	5	5	"
ELSEVIER C	Fl.54	130	1.20	1184	2.90	—	—	Fl.51.90
ELSEVIER P	Fl.50	278	1.10	6	2	6	3.50	"
GIST-BROC C	Fl.50	124	0.20	110	1.10B	113	2.40	Fl.44.40
GIST-BROC P	Fl.40	2	0.50	25	1	—	—	"
HEINEKEN C	Fl.180	9	2.10	89	6	—	—	Fl.175
HEINEKEN P	Fl.160	6	0.50	45	1.70	10	2.50	"
HOOGOVENS C	Fl.40	77	2.90	32	4.80	20	6.40	Fl.42.20
HOOGOVENS P	Fl.40	65	0.90	72	2.20	—	—	"
KLM C	Fl.50	1814	2.50	823	3.80	261	5	Fl.51
KLM P	Fl.45	805	0.40	281	1.50	10	1.90	"
NED. LLOYD C	Fl.140	114	4.60	9	8.50	—	—	Fl.141
NED. LLOYD P	Fl.130	123	1.20	12	3.20	—	—	"
NAT. NED. C	Fl.70	93	2.60	625	4.60	33	6.50	Fl.70.60
NAT. NED. P	Fl.70	147	1.60	123	3.50	46	4	"
PHILIPS C	Fl.55	165	0.40	772	1.40	106	2.20	Fl.49.50
PHILIPS P	Fl.50	310	1.60	607	2.70	19	3.70	"
ROYAL DUTCH C	Fl.270	783	2.30	181	6.50	16	9.90	Fl.263.30
ROYAL DUTCH P	Fl.260	419	3	98	8.30	20	9.50	"
UNILEVER C	Fl.700	642	6	262	20.50	25	32.50	Fl.672.50
UNILEVER P	Fl.660	347	8.50	105	16.50	2	22.50B	"

TOTAL VOLUME IN CONTRACTS: 42,339

A=Ask B=Bid C=Call P=Put

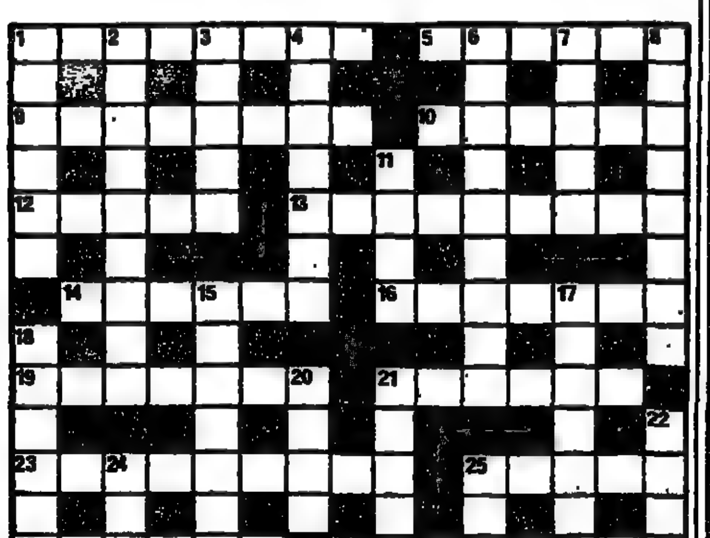
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	Nat Westminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Credt	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe Guarantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equatorial Tst'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williamson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bank	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	9	UDT Mortgage Exp	†11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	● Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	● Guinness Mahon	9	Westpac Bank Corp	9
Bank of Scotland	9	Hambros Bank	9	Whiteaway Laidlaw	9½
Banque Belge Ltd	9	Heritable & Gen. Trs	9	Yorkshire Bank	9
Barclays Bank	9	● Hill Samuel	§9		
Benchmark Tst Ltd	9	C. Hoare & Co	†9		
Beneficial Trust Ltd	10	Hongkong & Shangh	9		
Berliner Bank AG	9	Lloyds Bank	9		
Brit Bk of Mid East	9	Meghraj & Sons Ltd	9		
● Brown Shipley	9	Midland Bank	9		
Business Mige Tst	9	● Morgan Grenfell	9		
CL Bank Nederland	9	Mount Credit Corp. Ltd	9		
Canada Permanent	9				
Cayzer Ltd	9				

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sweeps 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 4½% gross. § Mortgage base rate. ‡ Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No 6,356

GRIFFIN



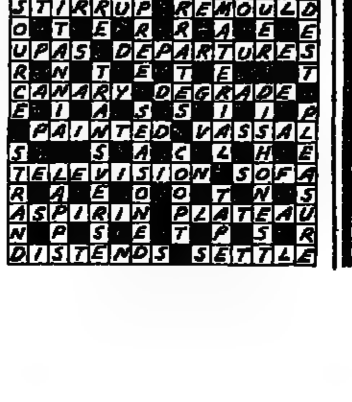
ACROSS

1 Struggling to get four in a row (8)
5 Photographs money box on board (6)
9 Wavering badly she beat it outside (8)
10 Send for the whole half day (6)
12 Picture Lily returning to Leatherhead (5)
13 " One less ridiculous eccentric " is absurd (9)
14 Debate dropping skinhead from athletic event (6)
16 Running late, Eve gets lift (7)
19 Not allowed to air view (7)
21 Domestic food taken around quarter to one (6)
23 Delirious about his new lovely (9)
25 Establish record return by six-footer (5)
26 Thought it over in time (6)
27 Churchgoer Laing is off to prison (8)
28 Free set ordered for the outside step (6)
29 Drunk tart in dirty bed (8)

DOWN

1 Seem upset about central heating system (6)
2 Check inside holiday coach (9)
3 Said tea in bottle is essential (5)
4 Confound Parisian for refusing, and — (7)
6 — turn Cohen out of club (9)
7 Lifting oil put doctor in prison (5)
8 Left nurse going round home (8)
11 A dresser of wood (4)
15 Vexed by news which puzzles people (9)
17 Have canal diverted by rock fall (9)
18 Parson training very large singers (8)
20 By weekend raised money on contract (4)
21 " Master Spy " is in colour (7)
22 Working in sets breaking rocks (6)
24 The person crossing? (5)
25 Guide one into bed (5)

Solution to Puzzle No 6,355



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	107 9	114 1	+0 4	1 22
(Accum Units)	113 1	119 6	+0 5	1 22
British Blue Chip Fund	52 4	55 4	-0 1	2 26
(Accum Units)	52 4	55 4	-0 1	2 26
American Sm Cos Fd	50 9	53 8	-0 2	0 45
(Accum Units)	50 9	53 8	0 2	0 45
American Income	51 4	54 3	-0 2	4 01
(Accum Units)	56.0	59.2	-0 2	4 01
European Growth	138 0	146 0	+0 1	0 65
(Accum Units)	142.8	151 1	+0 1	0 65
European Income	78 0	82 5xd	-0.2	3 67
(Accum Units)	81.8	86.5xd	-0.2	3 67
General	365.5	386 7	-1.1	2.01
(Accum Units)	607.0	642.3	-1.8	2.01
Gilt	90 9	91.3xd	+0.5	7 00
(Accum Units)	108.1	108.6xd	+0.6	7.00
Global Fund	49.9	52.7	-0.1	0.69
(Accum Units)	49.9	52.7	-0.1	0.69
High Interest Fund	48.3	51 2xd	+0.2	8.81
(Accum Units)	48.7	51.5xd	+0.1	8.81
High Income Fund	51.6	54.6	-0.2	4.81
(Accum Units)	52.5	55.5	-0.2	4.81
Income	118.3	125.1xd	-0.3	3.41
(Accum Units)	135.6	143.4xd	-0.4	3.41
International	297 7	315.0xd	-0.9	1.19
(Accum Units)	372.6	394.2xd	-1.1	1.19
Japan	231.3	244 7	-1.4	0.43
(Accum Units)	237.4	251.2	-1.6	0.43
Pacific Fd	52.1	55.1xd	-0.3	0.10
(Accum Units)	52.1	55.1xd	-0.3	0.10
Recovery	302.4	320.0xd	+2.1	2.20
(Accum Units)	328.8	347 9xd	+2.2	2.20
UK Smaller Co's Fd	51 3	54.2	+0.4	1.85
(Accum Units)	51.3	54.2	+0.4	1.85
Exempt May 27	353.6	362.6	+8.1	2.28
(Accum Units)	553.8	568.0	+12.7	2.28

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	60.0	63.8	+0.3	4.70
Accum Units	60.0	63.8	+0.3	4.7
UK Growth Fund Acc	62.0	65.9	+0.1	1.52
Global Income Fund	50.0	53.1	-0.2	3.77
Accum Units	50.0	53 1	-0.2	3.77
Global Growth Fund	47.4	50.4	—	0.5

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	121.8	129.2	-0.2	1.36
(Accum Units)	167.1	177.3	-0.6	1.36
Commodity & Gen.	174.0	184.6	-1.1	1.53
(Accum Units)	248.5	263.7	-1.4	1.53
European Growth	124.6	132.1xd	+0.2	1.13
(Accum Units)	150 4	159 5	+0.3	1.13
Extra High Inc	73.6	78.0	+0.2	6.39
(Accum Units)	89.3	94 7	+0.2	6.39
Gilt & Fxd. Int.	56.1	58.5xd	-0.1	8.87
(Accum Units)	97.8	102.1	-0.1	8.87
High Yield	212.6	225.5	+0.3	4.34
(Accum Units)	376.1	399.0	+0.3	4.34
Income	245.0	259.9	-1.1	2.77
(Accum Units)	410.6	435.7	-1.9	2 77
Intl High St UT	56.3	59 9	-0.1	1.47
Do. Accum	56.3	59.9	-0.1	1 47
Japan and Pacific	369.2	391 7	-4.0	0.18
(Accum Units)	388.1	411.8	-4.0	0.18
Managed Portfolio Acc	67.9	71.8		1.56
North American	125.2	132.8xd	-0.4	1.38
(Accum Units)	151.3	160.5	-0.4	1.38
Smaller Cos.	192.2	203.9	+2.7	1.16
(Accum Units)	206.6	219.2	+2.9	1.16

MIM Britannia Unit Tst Mgrs Ltd (a)(c)(e)
74-78 Finsbury Pavement, London EC2A 1JD
Dealing Callfree 0800 010733.

UK Specialist Trusts				
Growth Gilt	63.9	64.8	+0.1	0.36
Smaller Companies	233.3	248.8	+1.0	0.42
Special Features	140.3	149.7	+0.5	0.88
(Accum Units)	147.3	157.1	+0.5	0.88
General Funds				
Assets & Earnings	66.6	71.0	-0.1	1.34
Accum Units	66.6	71.0	-0.1	1.34
Managed Invest Fund	66.0	70.4	-0.1	1.03
UK Growth	54.7	58.3xd	-0.4	0.93
High Income Funds				
Extra Income	76.9	82.0	+0.1	4.92
Gilt	26.7	28.1xd	+0.1	8.88
Income & Growth	286.2	305.3xd	-0.4	2.91
[illegible]				

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill Ilford Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	76 3	80 7	-0 3	0 38
Holborn Equity Income	69 0	73 0xd	+0 2	3 52
Holborn Equity Tst	577 4	602 9	-1 1	2 21
Holborn European Tst	111 9	118 4xd	+0 3	0 70
Holborn Gilt Tst	219 2	228 7	+1 5	2 09
Holborn High Inc Tst	84 8	89 7xd	+0 3	4 81
Holborn Intl Grth Tst	118.1	124 9	-0 1	0 7
Holborn Japanese Tst	137 4	145 3	-0 9	0 04
Holborn N Amer Tst	90.8	96.0xd	+0.4	0 50
Holborn Sm Cos Tst	75 1	79 4xd	+0.5	1 46
Holborn Spec Sits Tst	99 1	104.8	+0.2	1.39
Holborn UK Growth Tst	115 9	122.6	-0.8	1.53

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen Fd	635.2	672.2	—	1.63
Quadrant Income	325 4	344 4	—	4.16
Quadrant Intl Fund	430 7	455.8	—	1.10
Quadrant Spec. Sits	407.6	431.4	—	1.52

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	239 9	255.1	-1.2	2.25
Reliance Unit Tst (Inc)	162.3	172.5	-0.2	1.87
Reliance Ut Tst (Acc)	218.4	232.2	-0.3	1.87

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.6	52.2	-0.3	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	317.8	338.0	+0.5	0.83
NC America (Acc)	347.0	369.1	+0.1	0.83
NC Inc Fd	124.3	132.2xd	+0.5	2.85
NC Japan Fd.	216.1	229.8	..	—
NC Major UK Cos Fd	71.6	76.1xd	-0.3	1.56
NC Smlr Australasian	84.2	89.5	-0.3	0.49
NC Smlr Canadian CoFd	47 7	50 7	..	1.00
NC Smaller Cos	227.9	242.4	+1.2	0.93
NC Smaller European	191.6	203.8	—	0.46
NC Prop.*	155.1	169.5	—	(z)

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)
33, King William St, London EC4R 9AS 01-638 5678

Merlin June 6	604.0	612.0	—	1.15

Royal Bank of Canada Fds.
RBC Trust Managers Limited.
1, London Wall, London EC2Y 5JX. 01-600 6222

RBC Select Gwth Acc	79.1	84.1	-0.1	—
RBC Select Income	79.8	84.8	+0.5	—
RBC Select Inc Acc	81.6	86.8	+0.5	—
RBC Select N American	52.0	55.3	+.1	—
RBC Select Intnl	53.8	57.2	—	—

Royal Life Fd Mgmt Ltd
PO Box 34, Peterborough PE2 0UE. 0733 230000

Equity Trust	85.6	90.5	-0.3	7.82
International Trust	90.3	95.5	-0.6	0.9
United States Trust	37 9	40.0	-0.2	0.8
Pacific Basin	58.4	61.7	-0.5	0.1
Gilt Trust	27.9	29.3	+0.1	8.3
Equity Gwth Accum	263.0	278.4	+2.1	0.9
Equity Growth Dist	185.7	196.6	+1.5	0.9
High Inc Accum	146.7	155.3	-0.5	1.6
High Inc Dist	121.7	128.8	-0.3	1.6
US Grwth Accum	68.3	72.3	-0.6	0.8
US Grwth Dist	66.7	70.6	-0.5	0.8

Royal London Unit Tst Mgrs Ltd
Royal Life Hse, Colchester CO1 1RA 0206 576115

American Growth	97.3	103.6	-0.1	0.6
European Growth	49.6	52.8	-0.1	0.9
Gilt Income	60.4	63.6	+0.3	8.1
High Income	113.8	121.1xd	-0.5	4.2
Income & Growth	136.8	145.6xd	-0.5	3.7
Intl. Income	63.7	67.8	-0.4	4.6
Japan Growth	127.4	135.6	-1.2	0.0
Special Sits	174.3	185.5	-0.3	0.7
UK Growth	64.4	68.6xd	-0.3	1.4

Royal Trust Fund Management Ltd
[illegible]

Standard Life Trust Mgmt. Ltd
3 George St Edinburgh EH2 2XZ 0800 393777

Managed Tst Acc	31 5	31 5	-0 2	1 15
UK Equity Gen Tst Acc	37 1	39 5	-0 1	2 07
UK Equity High Inc Inc	35 3	37 6	+0 1	3 35
UK Equity Gen Tst Acc	39 5	42 0	-0 3	1 89
UK Equity Gen Tst Inc	34 9	37 1	-0 2	1 89
Gilt & Fxd Int Tst Inc	27 6	29 1	+0 1	6 67
Nth Amer Tst Acc	29 6	31 5		0 82
Far East Trust Acc	42 9	45 6	-1 0	0 00
European Trust Acc	27 5	29.3	+0 1	1 66

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	231 5	253 6	+0 9	1 02
(Accum. Units)	268 4	286 6	+1 1	1 02
(Withdrawal Units)	158 4	169 1	+0 6	1 02
American Exempt Jun 16	350.66	363.86		1 48
Australian Fund	183 9	195.8	-0 7	0.39
(Accum. Units)	187 7	199 9	-0 7	0.39
British Fund	912 1	971 4	-0 5	3.52
(Accum. Units)	1 262.3	1,344 4	-0 7	3.52
European Fund	320 1	341.0	-0 9	0 45
(Accum. Units)	337 1	359 7	-0 9	0 45
Japan Fund	78.8	83 9	-0 4	0.21
(Accum. Units)	79.3	84.5	-0.4	0.21
Sarets PPP (May 15)	222 1	233.2	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	558 9	591 4	-3.1	1 70
North America	65.8	70.0	-0.3	1.15
Far East	115 8	123.2		0.00
Worldwide Bond	49.3	52 4		6.61
European	54.5	58.2	+0.1	1.91
Equity Income	72 6	77.6xd		3.31

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants 025684 1414

UK Income Fund	36 0	38.2xd	-0.2	2.90
UK Growth Fund	35.5	37 7	..	1 54
Worldwide Growth Fd	25 3	26 9	..	1.40

Sun Life Trust Mgmt. Ltd
101, Cannon St, London EC4N 5AD 01-606 6010

Master Portfolio	33.3	35.4	+0.2	0 0
American Growth Acc	36.6	38 9		1.0
American Income Acc	34 1	36.2	+0.1	5.00
American Income Inc	32.9	34.9		5.0
European Growth Acc	34 6	38.0	+0.1	0.0
European Income Acc	27.8	29.5	+0.2	3.25
European Income Inc	27.3	29.0	+0.2	3.25
Far East Growth Acc	75 9	80.7	+1 0	0.4
Int. Growth Acc	48 4	51 4	+0.5	1.5
Japan Growth Acc	94 3	100 3	+0.6	0 0
UK Growth Acc	52 0	55.3	+0.3	2 7
UK Income Acc	51.8	55.1	+0.2	5.0
[illegible]				

Abbey Life Assurance—Contd.

Equity Ser 4	153 6	161 7		
Fixed Int Ser 4	195 4	205 8	+0 5	
Index-Linked Ser 4	115 3	121 5		
American Ser 4	277 4	292 1	-0 1	
High Inc Ser 4	382 8	403 0	+0 9	
Japan Ser 4	278.2	292 9	-1 6	
Man Ser 4	311 7	331 4		
Money Ser 4	205 2	216 0		—
European Ser 4	114 9	121 0	-0 2	—
Pension Funds				
Property	384 7	405 0		—
Equity	1127 2	1186 6	-3 0	—
Selective	315 5	332 2	-0 3	—
Managed	769.5	810 0	-1 1	—
Security	363 4	382 6		—
Fixed Int	213 6	224 9	+0 5	
European	182.2	191 8	-0 4	—
American	237.5	250 1	-1.5	—
Japan	309.7	326 1	-2.5	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

Squirrel	11 10		11 69		—
Bear	13 12		13.82	-0 03	—
Owl	16.57		17 45	+0.02	—
Bull	14.84		15.63	-0.22	—
Stag	14.68		15.46	+0 03	—
Gilt Edged		12.28		+0.09	—
Deposit		10.27		+0.02	—
North American	10 05		10.58	+0 1	—
European	9.26		9 75	+0.04	—
Property	11.57		12.18	+0 06	—
Index Linked	9.53		10 04	-0.01	—
Far Eastern	10.74		11.31	-0.06	—
UK Equity	12 93		13.62	+0 04	—
Fixed Interest	10.12		10.66	+0.03	—
Pension Funds (Accumulator Units)					
Squirrel	12.14		12 78		—
Bear	15 35		16 16	-0 04	—
Owl	20.50		21.58	+0.03	—
Bull	17 70		18.64	-0 01	—
Stag	17.59		18.53	+0.06	—
Gilt-Edged		12 76		+0.11	—
Deposit		10.77		+0 01	—
North American	10.22		10.76	+0.03	—
European	9.26		9 75	+0.03	—
Property	12.41		13 07	+0.09	—
Index Linked	9 53		10.04	-0.03	—
Far Eastern	11 28		11.88	-0.09	—
UK Equity	14.39		15.15	+0.04	—
Fixed Interest	10.40		10.95	+0.04	—
Exempt Approved					
Mixed Managed	188.39		192.24	+0.33	—
Gilt Edged		12.76		+0.12	—
3-Way	394.8		394.8	+7 1	—
Do Pens	623.8		623.8	+34.2	—
Equity	684.9		684 9	+15.9	—

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Pension Fund Prices

Managed Init.	330.3		—
Do. Accum.	403.2		—
Property Init.	242.7		—
Do. Accum.	296.1		—
Equity Init.	430.4		—
Do. Accum.	524.6		—
Gilt-Edged Init.	238.7		—
Do. Accum.	291.3		—
Guaranteed Init.	157.3		—
Do. Accum.	192.1		—
International Init.	522.7		—
Do. Accum.	637.4		—
Index Lk. Gilt Init.	136.1		—
Do. Accum.	166.1		—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	290.0	+0.1	—
Property Pens.	393.3	+0.1	—
Equity	196.9	+1.1	—
Equity Pens.	902.3	+6.6	—
Money Market	319.3	+1.0	—
Money Mkt. Pens.	569.7	+1.7	—
Deposit	235.6	+0.0	—
Deposit Pens.	374.1	+0.1	—
Managed	290.8	+1.2	—
Managed Pens.	561.9	+3.3	—
Intl. Equity	340.1	+1.3	—
Do. Pens.	547.6	+3.0	—
Intl. Managed	313.4	+1.2	—
Do. Pens.	464.9	+2.5	—
North American	128.6	-0.1	—
Do. Pens.	147.4	-0.2	—
Far East	298.9	+1.3	—
Do. Pens.	433.1	+1.8	—
Intnl. Currency	174.8	+0.0	—
Do. Pens.	228.7	+0.0	—
Index Linked	127.9	+0.0	—
S & C Managed Fd.	143.2	+0.5	—
S & C Pens Mngd Fd	117.1	+0.9	—

Trustbuilt Life Funds

Per Worldwide Rec.	158.7	+1.0	—
Per Far East Growth	193.3	+0.1	—
Per Intl Growth	152.0	+0.7	—
Per Income	168.5	+0.0	—
Per Emerging Co's	157.5	+1.1	—
Per American Growth	142.3	+0.4	—
Per European Growth	121.5	+0.9	—
[illegible]			

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS

NUAM Funds

[illegible]

Norwich Union Life Insurance Soc.

[illegible]

Pearl Assurance (Unit Funds) Ltd

252 High Holborn, London WC1V 7EB

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	97[illegible]	Treas 3pc 1987	99[illegible]xd	....	3.01	7.94
101[illegible]	100[illegible]	Treas. 12pc 1987	101[illegible]	–[illegible]	11.86	8.39
99[illegible]	97[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	....	7.78	8.36
102[illegible]	99[illegible]	Exch 10½pc '88	101[illegible]	....	10.33	8.52
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	101[illegible]	–[illegible]	9.65	8.51
96[illegible]	93[illegible]	Transport 3pc '78-88	96[illegible]xd	–[illegible]	3.10	6.35
101[illegible]	98[illegible]	Treas. 9½pc '88	101	–[illegible]	9.42	8.73
105[illegible]	101[illegible]	Treas 11½pc 1989	104[illegible]	–[illegible]	11.03	8.70
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	101[illegible]	–[illegible]	9.38	8.72
94[illegible]	89[illegible]	Treas 3pc 1989	94[illegible]	–[illegible]	3.18	6.24
104[illegible]	99[illegible]	Treas 10½pc 1989	103[illegible]	–[illegible]	10.18	8.72
103[illegible]	98[illegible]	Exch 10pc 1989	102[illegible]	–[illegible]	9.77	8.78
105[illegible]	100[illegible]	Exch 11pc 1989	104[illegible]	–[illegible]	10.52	8.72
95[illegible]	89[illegible]	Treas 5pc 1986-89	94[illegible]	–[illegible]	5.25	7.26
108[illegible]	100[illegible]	Exch 10¼pcCv '89	105[illegible]	–[illegible]	9.70	7.58
111[illegible]	105[illegible]	Treas 13pc 1990‡‡	109[illegible]xd	–[illegible]	11.87	8.75
106½	100[illegible]	Exch 11pc 1990‡‡	105[illegible]	–[illegible]	10.47	8.81
110[illegible]	104[illegible]	Exch. 12½pc 1990	108[illegible]	–[illegible]	11.49	8.80
91[illegible]	84½	Treas. 3pc 1990	90[illegible]	–[illegible]	3.29	6.45
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]	+[illegible]	8.27	8.34
105	97½	Treas. 10pcCv 1990	103½	–[illegible]	9.67	8.79
89[illegible]	81[illegible]	Exch 2½pc 1990	88[illegible]	–[illegible]	2.82	6.21
110½	103¾	Treas 11¾pc 1991	108[illegible]xd	–½	10.81	8.82
95[illegible]	87¾	Funding 5¾pc '87-91‡‡	94[illegible]	+[illegible]	6.09	7.47
89[illegible]	80¾	Treas. 3pc 1991	88¼	–[illegible]	3.39	6.39
110¾	100[illegible]	Treas 10pc Cv '91 ‡‡	107[illegible]xd	–[illegible]	9.27	7.71
109¾	101¾	Exch. 11pc 1991	107[illegible]	–[illegible]	10.23	8.85
116[illegible]	108[illegible]	Treas 12¾pc 1992‡‡	114[illegible]xd	–[illegible]	11.13	8.81
106[illegible]	97[illegible]	Treas 10pc 1992	104[illegible]	–[illegible]	9.58	8.82
49½	46¾	Treas. 8pc 1992 ‡‡(50pd)	46[illegible]	–[illegible]	8.15	8.47
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	106½	–[illegible]	9.87	8.83

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30½	22⅞	Sara Lee $1	28¾xd	−¼	$1.00	—	2.2
11⅜	8⅞	Saul (B. F.) $1	9⅜	−⅛	20c	—	1.3
26¼	19⅞	Southwestern Bell $1	24⅛	+⅛	h$2.32	—	5.9
17⅝	14¼	Staley Continental	16⅝	+⅛	80c	—	3.0
44⅜	36⅝	Sun Co. Inc. $1	40¼xd	−½	$3.00	—	4.6
37	28½	TRW Inc. $1¼	33⅜	+⅛	h$1.60	—	2.9
31	25⅞	Tenneco $5	30⅛	+⅛	$3.04	—	6.2
187½	149½	Do. 10pcLn.Stk. 91-5	187½xd	....	10%	—	15.5
26¼	17⅜	Texaco $6.25	23⅞xd	+¼	$3.00	—	7.7
61½	47⅛	Time Inc. $1	61⅜	−⅜	$1.00	—	1.0
14½	11	Tracor $0.33	12¼	−⅜	40c	—	1.9
24⅝	18⅞	Transamerica $1	22⅛xd	+⅛	$1.76	—	4.9
11⅛	922p	Transworld Corp $5	11⅛	−⅛	30c	—	1.1
43⅞	29¾	TRINOVA Corp.	43⅝	+¾	h$1.00	—	1.4
19⅞	15⅜	♦USX $1	19⅞	+⅝	$1.20	—	3.7
18¼	15⅜	Union Carbide $1	18½	+⅜	$1.50	—	5.0
35⅜	26⅞	Utd. Technologies	30⅜	−⅜	$1.40	—	2.8
38¼	27	US West‡	32½	+¼	$3.28	—	6.2
25	17⅛	♦Waste Management $1	25½	+⅛	—	—	—
£22¾	£20½	Whirlpool $1.0	£22⅛	−⅛	—	—	—
33⅞	26	♦Woolworth $3½	32⅞	−⅛	$1.32	—	2.5

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	10p	♦Abbot Energy Corp.	29½p	....	—	—	—
25¼	10⅛	♦Amer. Barrick Res.	21½	....	—	—	—
122p	52p	[illegible]	91p	−3	—	—	—
19⅛	14⅝	Bk. Montreal ‡	15⅛	+¼	$2.00	—	6.0
10½	745p	Bk. Nova Scot.‡	815p	+31	72c	—	4.1
20⅝	18	BCE ‡	19⅛	....	$2.40	—	5.8
960p	712p	♦Bow Valley‡	821p	+3	40c	—	2.2
19⅛	12⅝	♦Brascan‡	15⅛	+⅛	88c	—	2.6
609p	277p	♦Breakwater Res.	410p	−2	—	—	—
11⅛	894p	Can. Imp.Bk. $2	992xd	+48	$1.08	—	5.0
12	865p	Can. Pacific ‡	11	....	48c	—	2.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
35	28	Aberdeen Am Pet 10p	33	......	—	—	—	—
125	110	Allied Ins. Brokers	123	......	L3.5	2.5	4.0	14.3
15½	9	Antmore Pet. 'A'	12½	+1½	—	—	—	—
77	45	Catalyst Comms. 5p	68	-1	—	—	—	20.3
200	168	Chelsea Artisans 5p	188	-10	—	—	—	24.1
98	47	Corton Beach 10p	85	+2	0.4	♦	0.6	♦
200	150	Crown Eyeglass 5p	195	......	—	—	—	—
225	102	Edenspring Investment	220	......	—	—	—	—
42	18	Eglinton Oil Ir.5p	29	......	—	—	—	—
41	17	Do. Warrants	19	......	—	—	—	—
60	17	Publishing Hldgs.5p	60	+1	—	—	—	34.8
64	45½	Theme Holdings	64	+7	1.0	♦	2.1	♦
140	111	Uen Group	140	......	b4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ *Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.*
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	83	......	Fin. 13% 97/02	£118⅞	......
Craig & Rose £1	£174¼	......	Arnotts	335	......
Finlay Pkg. 5p	108	+3	CPI Hldgs	57	......
Holt (Jos) 25p	963	+3	Carrol Inds.	148	+2
IoM Stm. £1	118	......	Dublin Gas	18	......
			Hall (R. & H.)	103	......
IRISH			Heiton Hldgs.	33	......
Fund 11¼% 1988	£100⅞	......	Irish Ropes	165	......
Nat. 9¾% 84/89	£98½	......	Unidare	375	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd.	65
BOC Grp.	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect.	24
Babcock	29	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	120
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds.	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 1	Jun 11	Jun 12	Jun 22
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20

* New time dealings may take place from 9.00 am two business days earlier.

Heavy fall in Glaxo features shakeout in blue chips and Gilt-edged also weaken

The reluctance of foreign investors to return to the London trading arena finally undermined the UK securities markets yesterday. US selling of Glaxo in New York overnight touched off a selling bout in equities which drove the FT-SE index down by 45 points at the day's weakest levels. However, losses were substantially reduced towards the end of the session.

The setback was fuelled by a poor reception in the stock market for the profits statement from **British Telecom** which fell sharply in hefty turnover. **British Gas**, not *helped by the disclosure* that Japanese funds have been net sellers since the flotation, also crumbled in substantially higher turnover.

This week's downgrading of City estimates of profits at **British Aerospace** pushed the shares down again, and **British Airways** and **Rolls-Royce** were also out of favour.

The blue chips rallied before the close, and the net fall in the FT-SE 100 was cut to 27.2 for a *final quotation of* 2,293.2. Also under pressure was the FT Ordinary, which quickly abandoned the 1800 plus territory, closing 18.6 lower at 1,783.1.

Glaxo took heavy *punishment*, tumbling more than 80p at one time on turnover four times that of recent sessions. The shares opened *lower after the $1 fall* in New York, which reflected reports of questions raised over ulcer treatment in the US medical press.

But ouside these major blue chips, the picture was less gloomy. *Across the market* as a whole, turnover was down, and many second line stocks held firm. There was *little sign of any forced* selling, and one leading trading house commented, "We haven't participated in the sell-off.

At the close, traders expressed confidence that the day had been no more than a not-unexpected shakeout in a market disappointed by the lack of buyers and *concerned over the substantial* rights issue calls overhanging equities.

"A loss of another 150 points would be a healthy correction in this market," said one of the bolder spirits. Although bank shares were mostly easier, the latest cuts in mortgage rates helped second line housebuilding stocks.

The moves to lower lending rates were no help to Government bonds, which reversed early gains to fall sharply in the wake of the *latest UK money supply* and sterling bank lending statistics. By the end of the day losses ranged to a full point at the long end.

Selling of gilts continued to come from inside the market, as traders backed off in the face of an uninspiring performance by the pound. Foreign buyers were again noticeable by their absence.

Kwik Save leapt to 445p before settling 36 to the good on balance at 426p—making an advance of 79 so far this week—as Dairy Farm International launched a tender offer of *450p per share in an* attempt to hoist its stake in the discount food retailer to 25 per cent.

Dairy Farm, domiciled in Hong Kong with sizeable retailing operations in Australia, already holds a 3.47 per cent stake in Kwik Save.

Interest in the major clearers was at a relatively low level. **Lloyds** closed a shade firmer at 603p, but **Barclays** lost 13 at 580p, while **NatWest**, which has followed the major Building Societies' lead and cut mortgage rates for new borrowers, shed 8 to 743p. **Midland** remained on offer at 613p, down 5. **TSB** met with profit-taking and shed 3 to 99p.

Publicity given to a broker's recommendation failed to sustain recent favourite **Commercial Union** which fell back on profit-taking to close 11 down at 354p. Elsewhere in the Insurance sector, **Pearl** firmed 8 to 422p on vague takeover hopes while **Britannic** gained ½ to £11¾ in a thin market. **Hogg Robinson** continued *to feature Lloyds brokers and rose 5 more to 555p.*

Concern over possible increases in US excise duty again depressed selected stocks in the drinks sector. Although above worse levels by the close, sizeable losses were recorded by **Grand Metropolitan**, 556p, **Allied-Lyons**, 430p and **Guinness**, 372p.

Leading Building issues settled lower on balance reflecting light profit-taking. **Blue Circle** were *finally 10 off at 492p*, while **Tarmac** shed a similar amount to 308p. **BPB Industries**, reporting shortly, held up well and closed only marginally cheaper at 840p, but **RMC** shed 2 to 502p as a line of some ¾m shares were placed at 499p. **Rugby Portland Cement** slipped 4 to 285p, while **Redland** softened 2 to 539p. *Second-line housebuilding stocks* benefited from the cuts in mortgage rates for new borrowers. Recently-overlooked **John Laing** put on 12 to 376p, while **Ward Holdings** advanced 26 to 646p. **John Maunders** moved up 23 to 300p in a restricted market while **Raine Industries** continued *to reflect the acquisition of a* North West England housebuilding concern and rose 5 more to 147p. **Hewden-Stuart** were in demand at 122p, up 6½ and **John Finlan** firmed 4 to 128p. Countryside, which revealed excellent results on Wednesday, eased back ½ to £11 following profit-taking. Among Timbers, **Magnet** and **Southerns** continued to give ground in the wake of the £71m cash call and settled 3 lower at 342p, *a two-day fall of 27.*

ICI eased back in the absence of further demand to close ⅛ cheaper at £14⁷⁄₁₆.

Stores reacted the general malaise, although selling pressure was minimal. Nevertheless, substantial losses were sustained by high street leaders such as **Woolworth**, 12 off at 435p, and **Burton**, 10 down at 344p. Secondary counters behaved in similar fashion. Profit-taking left recent *speculative favourite* **Amber Day** 3 cheaper at 61p, while **Bentalls**, 165p and **Bolton Textile** 40p gave ground for the same reason.

British Telecom came under selling pressure despite announcing preliminary figures at the top end of market estimates and fell away in a volume of some 24m shares to close sharply lower on the day with a fall of 12 at 303p. Elsewhere in the Electrical leaders, **Thorn EMI** contrasted with a rise of 19 at 752p following the *proposed sale of Thorn EMI Ferguson* to Thomson Grand Public, the French consumer electronics company, for approximately £90m. **Oxford Instruments** met with renewed offerings following comment on the preliminary figures and weakened 40 further to 349p.

Resisting the trend, Engineers recorded several bright spots. **Ransoms Sims**, reflecting news that F. H. Tomkins has increased its stake in the company to just over 6 per cent, advanced 19 to 335p. *Further consideration of the* Lamson Engineering acquisition left **Frederick Cooper** up 10 more at 181p, while the good annual results and proposed share split prompted a rise of 35 to 738p in **ML Holdings**. **Delta** encountered further support and put on 7½ more to 303½p.

Foods, one of the more buoyant sectors since the election, succumbed to a modest shake-out—a move dealers *regarded as "overdue."* Among Retailers, **Argyll**, scheduled to reveal preliminary results next Thursday, dipped 5 to 492p, while **Tesco** gave up 12 to 600p. The developments at Kwik Save, however, directed occasional sympathetic support to **William Low**, 625p, and **William Morrison**, 286, up 13 and 10 respectively. Elsewhere, **S. & W. Berisford** hardened a few pence to 369p after revealing interim profits some £5m ahead of most City estimates; interest in the group, however, is still centred on the likelihood of Associated British Foods launching a full bid. ABF currently holds 23.7 per cent of Berisford. Revived speculation that ABF would dispose of its stake in **Dee Corporation** to help finance an acquisition left the *latter 7 lower at 249p.* **Bassett Foods** hardened 5 to 278p in response to the near-doubled annual profits, but **E. T. Sutherland** eased 3 to 88p as Nick Sutherland, the managing director, stated that the group had not received a bid approach.

Unsettled by the setback in Glaxo, Pharmaceutical shares gave ground. **Beecham** were particularly vulnerable to selling after the recent show of strength mainly on prospects for the company's drug Eminase and fell away in a volume of 5m shares to close 15 lower at 557p. Falls of around 8 were recorded in **Fisons** and **Wellcome** at 384p and 428p respectively, while **Boots** eased 5 to 292p. Elsewhere, **London International** closed 2 higher at 332p, after 324p, *following the* announcement of annual results at the top end of market estimates. Better-than-expected preliminary figures gave a boost to **Johnson Matthey**, 14 to the good at 377p, while **Scapa Group**, also on trading news, rose 9 to 309p. **Beatson Clark** featured a gain of 18 at 339p on news that AAF Investment Corporation has increased its holding in the company *to just over 21* per cent, but **Ricardo**, bought recently on takeover hopes, *reacted 12 to 158p. British Aerospace* remained on offer and gave up 7 more to 533p. Continuing expansion hopes lifted **DSC** 50 to 433p, while suggestions that the Financial Times' Bracken House headquarters has been sold prompted a gain of 10 to 662p in **Pearson**.

Owners Abroad made strong headway amid mounting takeover speculaton and closed 11 higher at 145p; market rumours suggested that another hitherto unknown bidder may challenge for the company despite the fact that International Leisure already holds a sizeable stake in the company. Development prospects continued to boost **Brent Walker** 24 to 368p, but recent high-flyer **Marina Developments** eased back to close 9 down at 458p. Juliana's slipped 3 *to 84p following acquisition news.*

Lucas Industries advanced 11½ to 694p following the sale of its vehicle lighting operations to Fiat of Italy. Distributors trended *higher, where altered. Further* consideration of the first-half figures lifted **Lookers** 10 to 363p, while takeover speculation continued to surround **Frank G. Gates**, which rose 12 to 270p despite the group's recent "no bid approach" statement.

Lowe Howard—Spink and Bell rallied smartly to close 48 better at 492p as the company stated that recent adverse market rumours were unfounded. Press comment prompted a gain of 3 to £27¼ in **Eucalyptus**, but **Saatchi and Saatchi** turned easier and gave up 20 to 649p. Olives Paper, up to 141p *at one stage*, eased back to close at 138p, still up 20 on the day, despite the board's statement that they are unaware of any circumstances which would justify this movement and are not involved *in any* discussions with a third party. **United Newspapers** were supported and put on 27 to 520p.

The Property leaders eased back as hopes of an early cut in base rates receded. Market makers considered that the likes of **Land Securities** and **MEPC** were ripe for profit-taking. LS lost 11½ to 547½p and MEPC 5 to 512p. Great Portland Estates came off 5 to 287p, but buyers were once again around for **Hammerson A** *which moved up 22 to 620p. Elsewhere*, **Mountview Estates** attracted support in the wake of *the results* and gained ¼ to £10. **Asda Property** shed 47 to 718p pending news of the bid approach, but **New England Properties** firmed 4 to 77p following details of the acquisition of a portfolio of *industrial properties* valued at £5m. **Mayfair City Properties** settled at 223p in resumed dealings following the agreed cash and loan note bid from **Rivlin**. The later closed 4 higher at 185p. Bright spots in the Textile sector included **Corah**, up 13 at 110p, in belated response to the recent management reorganisation.

Trust shares stood up well against the shakeout in UK equities, which is not expected to bring any significant downturn in trust asset values. Prices were marked down but traders reported very little selling at this *stage*

A dull energy sector showed **British Gas** finally 4½ lower at 184p, after 178½p; market-makers cited a luke-warm press response to the annual figures and "take profits" advice forum BZW as reasons for the share price easing back. Elsewhere **Burmah** rose 20 to 579p on speculative buying.

Overseas Trader **James Finlay** slumped to 97p before settling 7 lower on balance at 104p after announcing full-year figures described by one trader as "terrible." Group profits of £5.77m fell well short of market expectations; Chase Manhattan Securities, for example, was going for £9m.

With the outlook for the dollar still uncertain, gold mining shares trod water for most of yesterday's trading session. Only at the close, *when Wall Street showed some* interest, did London quotations for the mining- producer stocks edge higher. At the close the FT Gold Mines index was up 2.8 at 383.0.

Traded Options

Relatively subdued conditions prevailed in Traded Options. As on Wednesday, the majority of the session's activity was directed to leading "privatised" stocks. **British Telecom** attracted 5,855 calls and 3,686 puts following the annual results. **British Gas** were again *lively with 6,619 calls and* 4,243 puts done, while **British Airways** recorded 3,249 calls.

Traditional Options

- **First dealings June 8**
- **Last dealings June 19**
- **Last declaration Sept 10**
- **For Settlement Sept 21**

For rate indications see end of Unit Trust Service

Call options were taken out in **Charterhall**, **Hampton Trust**, *Norfolk Capital*, **Rotaprint**, **British Telecom**, **Amstrad**, **Benjamin Priest**, **Keep Trust**, **Abaco**, **Bula Resources**, **Electronic Rentals**, **Kalon**, **Raine Industries**, **Brent Walker**, **Laird Group**, **William Boulton**, **Sound Diffusion**, **Eagle Trust**, **Tie Rack**, **Raglan**, **Rolls-Royce**, **Hyman**, **Polly Peck**, **Ryan International**, **Amalgamated Financial** and **Turriff**. Puts were arranged in **Central and Sheerwood** and **Abaco**, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	June 18	June 17	June 16	June 15	June 12	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	91.94	92.38	92.28	92.04	92.70	90.47	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.88	98.85	99.08	99.12	98.79	96.61	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1783.1	1801.7	1794.5	1786.6	1767.9	1,350.0	1,801.7 (17/6)	1,320.2 (2/1)	1,801.7 (17/6/87)	49.4 (26/6/40)
Gold Mines	383.0	380.2	388.7	388.1	409.3	216.7	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.21	3.17	3.19	3.20	3.24	4.08				
Earnings Yld.%(full)	7.74	7.66	7.71	7.74	7.81	9.84				
P/E Ratio (net) (*)	15.90	16.09	15.99	15.93	15.79	12.36				
SEAQ Bargains (5 pm)	49,867	52,863	52,118	58,291	69,647	—				
Equity Turnover (£m)	—	1811.74	1715.75	1716.32	2362.83	671.61				
Equity Bargains	—	64,368	63,295	68,993	74,477	22,825				
Shares Traded (ml)	—	—	614.7	768.3	956.2	281.1				

S.E. ACTIVITY

Indices	June 17	June 16
Gilt Edged Bargains	135.8	151.6
Equity Bargains	417.1	410.1
Equity Value	3662.0	3468.0
5-Day Average		
Gilt Edged Bargains	163.4	167.3
Equity Bargains	423.8	417.1
Equity Value	3834.0	3763.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1800.8	1794.3	1785.4	1786.5	1784.6	1779.5	1772.2	1774.3

Day's High 1802.4. Day's Low 1768.2. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=15.58.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (305)

AMERICANS (4). BANKS (2). BREWERS (2). BUILDINGS (28). CHEMICALS (12). STORES (16). ELECTRICALS (19). ENGINEERING (21). FOODS (6). HOTELS (4). INDUSTRIALS (56). INSURANCE (4). LEISURE (5). MOTORS (5). NEWSPAPERS (4). PAPER (8). PROPERTY (32). SHIPPING (1). TEXTILES (8). TRUSTS (55). OILS (7). OVERSEAS TRADERS (1). PLANTATIONS (1). MINES (2). THIRD MARKET (2).

NEW LOWS (4)

ELECTRICALS (2) Mitel Corp., Oxford Instruments. INDUSTRIALS (1) Fertil-A-Chron. NEWSPAPERS (1) Euromoney Publications.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,400	191	+4	Ladbroke	3,600	439	+3
Allied Lyons	2,200	430	−10	Land Securities	1,900	547½	−11½
Amstrad	7,200	173	−2	Legal & Gen.	984	354	−6
Argyll Group	580	492	−5	Lloyds Bank	1,400	603	+3
Assoc. Brit. Foods	382	411	+1	Lonrho	866	273½	+1½
BAT	3,400	604	—	MEPC	753	512	−5
BET	1,500	289	−1	Marks & Spncr	5,400	262	−5
BOC	1,100	489	−4	Midland Bank	1,600	613	−5
BPB Inds	974	840	−3	NatWest Bank	1,600	743	−8
BPCC	1,700	298	+6	Next	3,600	357	+4
BTR	5,000	335	−4	Pearson	3,800	662	+10
Barclays	3,800	580	−13	P & O	2,700	704	−1
Bass	606	£10⅞	−⅛	Pilkington Bros	1,950	972	−1
Beecham	4,700	557	−15	Plessey	4,000	222	−3
Blue Circle	651	492	−10	Prudential	629	£10⅝	−⅛
Boots	2,500	292	−5	Racal	863	263	—
Brit. Airways	6,300	151	−6	Rank Org.	227	793	−9
Brit. Aero	2,700	533	−7	RHM	783	352	−3½
Brit. & Comm.	158	460	−3	Reckitt & Col	206	£11¼	—
British Gas	55,000	184	−4½	Redland	1,000	539	−2
Britoil	2,600	315	—	Reed Intl.	2,480	546	+17
BP	3,000	338	—	Reuters	989	834	−16
Brit. Telecom	22,000	303	−12	RMC	1,900	502	−2
Bunzl	2,700	254	+5	RTZ	1,100	980	+17
Burton	5,600	344	−10	Rolls-Royce	4,300	124	—
Cable & Wire	690	416	−6	Rowntree Mac	1,100	543	−5
Cadbury Schwps	6,000	270½	−6½	Ryl Bank Scotland	206	362	−2
Coats Viyella	824	701½	+4½	Royal Insurance	917	493	−15
Comm. Union	7,200	354	−11	STC	929	311	−2
Cons. Gold	698	£10	—	Saatchi & Saatchi	778	649	−20
Cookson	789	729	−7	Sainsbury	213	595	−7
Courtaulds	499	486	−7	Scott & Newcastle	1,100	251	−6
Dee Corpn	2,800	249	−7	Sears	1,400	163	−2½
Dixons Grp	3,000	384	—	Sedgwick	274	289	—
English China Clays	487	477	−6	Shell Trans	3,300	£13¾	—
Fisons	1,427	384	−8	Smith & Nephew	2,380	184½	−2½
Gen. Accident	349	£10¼	—	Standard Chart	159	770	−13
Gen. Elect.	7,600	247	+4½	Storehouse	4,200	299	−8
Glaxo	4,600	£17¼	−⅞	Sun Alliance	932	995	−7
Globe Investment	314	182½	−1½	TSB	7,600	99	−3
Granada	229	348½	+½	Tarmac	2,200	308	−9
Grand Met	2,600	556	−23	Tesco	1,900	600	−12
Gus "A"	136	£14¾	−⅛	Thorn EMI	5,000	752	+19
Guardian R.E.	277	£10¼	—	Trafalgar House	2,200	398	+5
GKN	1,700	329	−6	T'house Forte	1,400	265	−1
Guinness	6,700	372	−9	Unigate	37	429	−6
Hanson Trust	7,200	163½	−3	Unilever	201	£32½	−⅜
Hawker Sidd	6,200	536	+14	United Biscuits	3,200	330	−7
Hillsdown Hldgs	2,000	307	−3	Wellcome	1,200	428	−9
ICI	1,000	£14⁷⁄₁₆	−⅛	Whitbread "A"	783	348	−10
Jaguar	2,700	547½	−7½	Woolworth	1,050	435	−12

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	94	3
Corporations, Dominion and Foreign Bonds	7	17	34
Industrials	508	492	554
Financial and Properties	174	172	252
Oils	32	38	44
Plantations	4	3	7
Mines	56	54	78
Others	69	88	93
Totals	866	958	1,067

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Thursday June 18 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed June 17 Index No.	Tues June 16 Index No.	Mon June 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	961.73	−0.2	7.15	2.79	17.58	9.84	963.76	959.86	955.03	735.81
2	Building Materials (28)	1257.63	−0.9	6.80	2.69	18.36	12.92	1269.61	1270.40	1274.76	795.80
3	Contracting, Construction (33)	1728.44	+0.2	6.99	2.76	19.21	19.05	1725.17	1702.29	1687.20	1214.80
4	Electricals (13)	2406.99	−1.1	5.54	3.27	24.24	31.62	2434.23	2419.27	2401.85	1958.78
5	Electronics (35)	2141.23	+0.4	7.20	2.08	18.08	12.62	2133.05	2139.94	2104.18	1711.40
6	Mechanical Engineering (60)	503.95	+0.2	8.27	3.39	15.15	7.31	503.13	502.01	504.09	413.92
8	Metals and Metal Forming (7)	532.60	+0.2	6.97	3.00	17.28	5.48	531.54	526.52	527.50	361.06
9	Motors (15)	363.39	−0.2	8.39	2.94	13.87	3.42	364.05	368.73	360.68	310.28
10	Other Industrial Materials (21)	1589.06	−0.7	6.26	3.11	19.26	18.77	1600.41	1578.78	1564.34	1326.04
21	CONSUMER GROUP (185)	1339.98	−1.0	5.94	2.49	21.60	13.05	1353.49	1341.59	1338.15	924.60
22	Brewers and Distillers (22)	1212.67	−1.8	7.74	2.91	16.26	11.65	1235.13	1240.56	1239.20	950.80
25	Food Manufacturing (25)	1031.77	−1.2	6.78	2.95	19.18	12.74	1044.57	1035.03	1026.62	676.36
26	Food Retailing (15)	2589.81	−0.4	5.06	2.22	27.01	21.12	2600.57	2593.03	2549.11	1843.16
27	Health and Household Goods (10)	2525.35	−2.6	4.00	1.58	29.28	14.62	2592.70	2548.89	2556.09	1603.56
29	Leisure (31)	1390.31	+0.6	5.74	3.05	22.94	16.11	1382.12	1376.46	1372.19	906.20
31	Packaging & Paper (15)	697.29	+0.6	5.99	2.47	21.09	7.40	693.17	685.06	687.54	483.36
32	Publishing & Printing (15)	4201.25	+2.3	5.39	2.91	23.89	94.63	4106.88	3953.74	3932.90	2524.56
34	Stores (36)	1134.27	−1.1	6.37	2.52	21.20	11.73	1146.50	1144.74	1152.04	875.71
35	Textiles (16)	810.58	+0.5	7.56	2.76	15.36	10.56	806.62	780.03	764.52	545.55
40	OTHER GROUPS (86)	1108.00	−1.4	7.73	3.13	16.10	9.74	1123.62	1115.75	1125.41	802.74
41	Agencies (16)	1610.21	−1.1	4.27	1.50	30.90	9.50	1628.38	1620.13	1600.81	0.0
42	Chemicals (21)	1360.85	−0.4	7.19	3.23	17.06	19.32	1365.84	1344.41	1350.56	894.15
43	Conglomerates (11)	1360.04	−0.6	7.71	3.36	14.82	13.73	1368.83	1351.71	1360.61	0.0
45	Shipping and Transport (11)	2251.46	−0.7	7.01	3.57	17.87	37.76	2267.75	2265.20	2277.40	1503.72
47	Telephone Networks (2)	1173.60	−3.4	8.57	3.41	15.57	1.09	1214.51	1219.75	1245.96	916.33
48	Miscellaneous (25)	1512.87	−0.4	8.71	2.91	13.75	18.08	1518.24	1496.21	1502.17	1053.39
49	INDUSTRIAL GROUP (483)	1192.33	−0.9	6.72	2.74	18.80	11.44	1203.21	1194.65	1194.43	855.53
51	Oil & Gas (17)	2208.69	−0.3	4.95	4.19	26.16	37.29	2216.30	2193.97	2225.57	1200.61
59	500 SHARE INDEX (500)	1278.52	−0.8	6.46	2.95	19.62	13.70	1289.11	1279.37	1281.89	886.54
61	FINANCIAL GROUP (118)	807.01	−0.9	—	3.63	—	12.57	814.56	811.30	798.29	600.02
62	Banks (8)	843.77	−1.1	16.42	4.44	8.05	15.49	853.43	856.67	827.98	630.43
65	Insurance (Life) (9)	1144.64	−1.7	—	3.68	—	20.71	1164.73	1166.07	1163.03	855.94
66	Insurance (Composite) (7)	598.71	−1.3	—	4.09	—	11.76	606.81	601.11	583.82	481.16
67	Insurance (Brokers) (9)	1221.52	+0.5	8.81	4.41	14.63	26.32	1214.93	1198.85	1191.89	1176.33
68	Merchant Banks (11)	401.96	−0.5	—	3.19	—	4.41	403.81	401.50	402.42	368.71
69	Property (46)	1239.34	−0.4	3.71	2.36	34.98	10.92	1244.28	1232.61	1224.81	777.43
70	Other Financial (28)	522.16	−0.6	6.27	3.04	20.10	5.42	525.33	519.62	521.46	346.48
71	Investment Trusts (93)	1070.42	−0.2	—	2.23	—	10.58	1072.50	1064.21	1062.76	751.58
81	Mining Finance (2)	490.05	+1.0	6.24	3.39	18.85	6.79	485.01	496.22	501.38	274.41
91	Overseas Traders (11)	1052.56	−0.1	8.63	4.41	13.75	22.64	1054.11	1055.15	1049.82	676.22
99	ALL-SHARE INDEX (724)	1149.23	−0.8	—	3.05	—	13.26	1158.35	1150.71	1149.72	803.21
		Index No.	Day's Change	Day's High	Day's Low	June 17	June 16	June 15	June 12	June 11	Year ago
	FT-SE 100 SHARE INDEX ‡	2293.2	−27.2	2319.0	2275.2	2320.4	2309.0	2307.6	2289.5	2249.3	1629.6

FIXED INTEREST

	PRICE INDICES	Thurs June 18	Day's change %	Wed June 17	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.32	−0.22	124.60	—	5.47
2	5-15 years	144.14	−0.58	145.57	0.58	7.22
3	Over 15 years	155.04	−0.77	156.23	—	6.68
4	Irredeemables	169.76	−0.72	170.99	—	6.30
5	All stocks	140.50	−0.51	141.51	0.29	6.59
	Index-Linked					
6	5 years	121.84	+0.15	122.40	0.73	1.57
7	Over 5 years	116.05	+0.30	115.70	—	1.43
8	All stocks	116.35	+0.29	116.07	0.06	1.43
9	Debentures & Loans	125.17	+0.19	124.93	—	5.86
10	Preference	89.88	+0.12	89.77	—	3.01

	AVERAGE GROSS REDEMPTION YIELDS		Thurs June 18	Wed June 17	Year ago (approx.)
	British Government				
1	Low	5 years	7.96	7.89	7.59
2	Coupons	15 years	8.75	8.65	9.08
3		25 years	8.76	8.67	9.16
4	Medium	5 years	8.82	8.67	9.19
5	Coupons	15 years	8.98	8.88	9.43
6		25 years	8.98	8.89	9.43
7	High	5 years	9.00	8.88	9.32
8	Coupons	15 years	9.10	9.02	9.57
9		25 years	8.90	8.84	9.46
10	Irredeemables †		8.82	8.75	8.98
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	2.47	2.50	3.76
12	Inflat'n rate 5%	Over 5 yrs.	3.76	3.78	3.40
13	Inflat'n rate 10%	5 yrs.	2.10	2.13	2.50
14	Inflat'n rate 10%	Over 5 yrs.	3.68	3.70	3.23
15	Debs &	5 years	9.66	9.76	10.03
16	Loans	15 years	9.89	9.93	10.24
17		25 years	9.98	10.00	10.30
18	Preference †		10.10	10.11	10.42

‡ Opening index 2318.0; 10 am 2309.0; 11 am 2296.8; Noon 2297.5; 1 pm 2294.4; 2 pm 2288.7; 3 pm 2280.1; 3.30 pm 2281.4; 4 pm 2283.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS July	CALLS Oct.	CALLS Jan.	PUTS July	PUTS Oct.	PUTS Jan.
Allied Lyons (*429)	390	46	65	75	3	10	15
	420	25	44	55	11	20	25
	460	11	25	35	37	42	50
Brit. Airways (*151)	140	17	24	40	6	12	13
	160	5	16	27	15	20	24
	180	2	9	17	31	33	36
British Gas (*181)	165	20	28	36	3	8	13
	180	11	20	28	10	17	20
	200	4	10	20	24	29	32
B.P. (*356)	317	47	61	—	4	10	—
	330	39	51	62	9	17	21
	360	15	32	45	19	28	34
Britoil (*313)	240	78	83	92	2	8	11
	260	59	67	76	5	10	15
	280	40	50	63	7	14	21
	300	24	38	53	12	24	30
	330	12	25	36	26	33	43
Cons. Gold (*1002)	1000	57	90	115	44	65	80
	1050	42	70	95	70	92	107
	1100	30	52	77	115	124	132
	1150	20	40	58	162	170	180
Courtaulds (*486)	390	102	114	122	1	3	5
	420	72	86	96	3	6	10
	460	38	56	78	8	16	22
	500	14	32	54	26	34	44
Com. Union (*354)	300	57	68	79	2	6	8
	330	27	43	56	6	11	14
	360	13	22	30	17	27	30
Cable & Wire (*416)	390	40	60	75	11	17	30
	420	22	40	53	25	33	48
	460	7	20	30	52	60	67
G.E.C. (*243)	200	46	49	55	1	5	7
	220	27	33	39	4	10	13
	240	13	22	30	12	19	24
Grand Met. (*555)	500	63	77	95	1½	7	13
	550	25	45	62	17	25	33
	600	7	22	38	48	58	60
I.C.I. (*1435)	1350	115	152	190	13	40	52
	1400	78	120	160	27	58	68
	1450	48	95	133	50	80	90
	1500	30	75	108	80	108	113
Land Securities (*545)	460	90	100	117	2	6	15
	500	52	70	88	4	18	25
	550	23	42	62	25	35	43
Marks & Spen. (*260)	240	29	42	48	4	10	14
	260	15	26	37	11	17	22
	280	6	15	23	24	28	31
Rolls-Royce (*123)	120	10	18	23	6	11	13
	130	5	13	19	12	17	20
	140	3	9	14	20	23	26
	160	1	4	9	38	41	43
Shell Trans. (*1369)	1250	130	172	200	5	20	35
	1300	100	135	175	20	37	50
	1350	62	108	140	37	53	75
	1400	38	75	107	63	72	98
Trafalgar House (*398)	300	103	112	122	1	2	3
	330	73	83	93	2	5	9
	360	45	58	68	5	10	16
	390	20	38	48	12	18	25
TSB (*99)	80	21	23	27½	1½	2½	3½
	90	11½	16½	21	2½	4½	6½
	100	6½	12	15½	6	7½	11
Woolworth (*432)	425	27	40	57	17	23	35
	450	23	30	42	30	42	52
	500	10	16	25	72	77	82

Option		June	Oct	Jan	June	Oct	Jan
Bass (*1030)	950	93	123	138	3	15	25
	1000	45	87	107	4	25	45
	1050	—	52	82	—	50	75
GKN (*328)	300	29	44	56	1	14	18
	330	5	28	40	6	26	29
	360	1	14	27	34	42	45
Jaguar (*546)	500	48	78	95	2	17	27
	550	7	47	70	12	38	48
	600	2	25	43	55	70	72

Option		Aug	Dec	Mar	Aug	Dec	Mar
Barclays (*580)	500	95	110	130	6	12	18
	550	57	78	950	13	25	30
	600	30	43	58	37	52	57
Midland Bk (*613)	600	45	65	85	30	40	48
	650	25	43	62	57	67	75
	700	11	22	—	98	110	—

Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit Aero (*533)	550	28	43	57	37	50	55
	600	12	25	40	72	80	85
	650	5	15	25	120	125	130
BAT Inds (*602)	500	110	120	130	2	5	10
	550	68	80	95	9	16	22
	600	35	50	67	23	34	40
Brit. Telecom (*299)	280	27	38	48	7	12	19
	300	17	27	38	17	22	27
	330	5½	16	26	39	42	44
Cadbury Schweppes (*270)	240	36	47	51	3	8	11
	260	22	32	38	12	15	19
	280	14	21	28	21	24	28

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
Guinness (*369)	300	80	85	—	2	4	—
	330	50	60	70	4	13	18
	360	33	43	55	15	23	30
	390	17	33	40	30	38	40
Ladbroke (*438)	420	—	—	58	—	—	22
	445	23	33	—	22	25	—
	460	13	25	35	32	35	42
LASMO (*287)	240	57	68	80	7	12	18
	260	36	54	70	11	18	22
	280	27	45	58	22	29	35
	300	17	33	44	32	35	41
P. & O. (*705)	638	78	95	115	5	15	20
	688	45	62	78	15	30	37
	750	13	28	40	52	62	65
Plessey (*221)	200	31	38	46	7	9	11
	220	18	26	32	15	17	20
	240	11	16	—	26	28	—
Racal (*261)	220	42	54	—	3	6	—
	240	30	38	48	9	12	14
	260	19	28	37	14	18	22
	280	8	15	24	26	30	34
R.T.Z. (*980)	900	107	140	—	10	20	—
	950	80	110	132	27	45	60
	1000	54	87	112	54	67	87
	1050	37	67	97	92	107	120
Vaal Reefs (*$119)	110	16	20	25½	4½	9	14
	120	11½	16½	21	10	14½	19
	130	8	15	16½	16½	20	25
Tr. 11¾% 1991 (*£109)	106	[illegible]	[illegible]	—	[illegible]	[illegible]	—
	108	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]
	110	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]
	112	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07 (*£124)	122	3¼	4¼	—	[illegible]	3¼	—
	124	2¼	3¼	[illegible]	[illegible]	4¼	5¼
	126	1½	[illegible]	[illegible]	4	[illegible]	[illegible]
	128	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Jun	Sep	Dec	Jun	Sep	Dec
Amstrad (*173)	180	3	20	30	10	22	30
	200	1	13	22	29	36	41
	220	0½	8	16	49	52	54
Beecham (*555)	460	98	112	122	2	4	6
	500	53	83	92	2	13	18
	550	13	47	60	8	33	38
	600	2	24	40	47	57	62
Boots (*290)	280	14	31	40	2	12	18
	300	2	21	30	11	21	28
	330	0½	11	19	40	42	42
BTR (*335)	280	58	67	72	1	4	6
	300	37	50	57	1	6	11
	330	10	28	37	6	17	21
	360	2	13	22	27	32	37
Blue Circle (*491)	475	20	53	75	3	22	30
	500	6	42	60	15	33	43
	550	2	20	38	60	70	77
De Beers (*1150)	1050	120	180	220	10	—	70
	1100	80	155	190	25	—	110
	1200	25	1065	145	90	145	180
Dixons (*382)	360	—	—	60	—	—	20
	381	8	30	—	6	24	—
	390	—	—	40	—	—	32
	420	2	16	26	40	48	52
Glaxo (*1785)	1600	135	220	255	3	40	70
	1650	80	180	225	8	60	89
	1700	45	150	195	30	80	108
	1750	22	120	170	65	103	135
	1800	8	95	150	110	130	130
Hanson (*167)	150	14	20½	—	1	3½	—
	160	—	—	19½	—	—	9½
	165	2½	11½	—	4	9½	—
	180	0½	5½	10½	17½	19	20½
Lonrho (*273)	255	19	31	38	1	8½	11½
	273	5	20	29	5½	17	21
	300	1	10	17	28	31	34
Sears (*166)	140	23½	28½	30½	0½	2½	5
	160	4	15	18½	1½	8	10½
	180	1	7½	11½	17½	20½	23½
Tesco (*612)	500	100	118	130	2	4	7
	550	50	82	92	2	18	20
	600	13	47	62	14	32	38
Thorn EMI (*741)	600	157	160	182	0½	3	6
	650	107	130	135	1	7	13
	700	57	70	93	1	17	30
	750	18	45	65	12	42	50
Trusthouse Forte (*266)	220	44	50	55	1	2	3
	240	24	34	42	1	7	11
	260	8	22	31	6	17	19

Option		June	July	Aug	Sept	June	July	Aug	Sept
FT-SE Index (*2282)	2100	231	232	262	—	1	8	12	—
	2150	163	182	220	250	1	12	18	23
	2200	113	142	178	215	2½	22	32	38
	2250	70	105	130	155	9	35	47	57
	2300	38	78	105	128	28	55	63	75
	2350	11	53	75	97	70	83	87	95

June 18. Total Contracts 50,813. Calls 34,255. Puts 16,558. FT-SE Index Calls 1,495. Puts 2,555.

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§132	F.P.	30/6	200	135	B.D.A. Hldgs. 10p	200	+28	L2.5	3.70	1.7	21.9
§77	F.P.	—	122	90	Barrett (Henry) 10p	122	+8	R2.81	2.2	3.1	19.3
§77	F.P.	30/6	108	96	✤Bonded Laminates 10p	108	......	L2.4	2.4	3.0	18.9
§185	F.P.	6/7	242	210	Chemoxy Intl.	240	......	L4.9	2.7	2.8	16.9
—	F.P.	—	19	10	ChildHealthRes. Wrts	15	......	—	—	—	—
§125	F.P.	—	185	145	✤Colorgraphic 10p	185	......	L3.0	2.8	2.2	21.5
‡230	F.P.	10/7	297	278	Computer People 5p	292	−5	u3.6	3.2	1.7	29.6
|||	F.P.	—	184	173	Cresta Hldgs 10p	179	......	—	—	—	7.4
§56	F.P.	17/7	82	75	✤de Morgan 5p	77	−2	R1.0	4.3	1.8	18.0
§76	F.P.	19/6	99	76	✤GC Floor & Furn's	84	......	L1.95	2.8	3.18	15.4
‡170	F.P.	1/7	205	188	Hambros Adv. Tech Tst.	192	......	—	—	—	—
§130	F.P.	15/7	170	163	Neotronics 5p	165	−1	R1.8	4.2	1.5	21.8
—	F.P.	—	120	80	Oriflame Intl Warrants	120	......	—	—	—	—
125	F.P.	26/6	190	180	Pickwick	188	......	R2.5	3.1	1.8	24.6
§83	F.P.	—	98	88	Practical Invs.	98	......	—	—	—	—
¶¶	F.P.	—	109	94	River & Merc. Cap 12½p	109	+3	—	—	—	—
¶¶	F.P.	—	103	98	Do. Inc. 12½p	99	......	H5.67	—	7.8	—
¶¶	F.P.	—	35	18	Do. Wts. 12½	35	+1	—	—	—	—
¶¶	F.P.	—	102	98	Do. Stepped Prf 12½p	102	+1	H4.20	—	5.6	—
170	85	23/9	154	123	Rolls-Royce 20p	123	......	W4.99	2.7	3.3	12.6
‡100	F.P.	—	103	97	Saltire Insurance	100	+3	—	—	—	—
§125	F.P.	19/6	200	155	✤Sharp & Law 10p	185	......	u3.0	2.4	2.2	25.3
§92	F.P.	24/6	100	96	✤Showerplan 5p	96	......	u1.6	3.6	2.1	16.5
¶¶	F.P.	—	162	135	Smith Doctors 5p	160	......	0.25	—	2.14	—
125	F.P.	15/7	270	224	✤Sock Shop Intl.5p	270	......	R1.35	3.8	6.8	52.2
145	F.P.	—	195	163	Tie Rack 5p	168	+5	R1.1	4.2	8.9	36.5
§125	F.P.	2/6	167	158	✤UCL Group 5p	167	......	u2.5	2.8	2.1	23.6
§130	F.P.	—	182	176	Warner Howard 5p	177	......	R2.66	2.70	2.1	23.4
135	F.P.	4/9	173	160	Webmiller (Barry) Intl.5p	173	......	R4.0	2.9	3.2	12.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
||	Nil	—	11pm	9pm	Anglo Utd. Cnv. Red. Prf.	10pm	......
—	F.P.	—	115	98	Berndene Invs. 15% Uns.Ln. 2007-12	105	−2
‡95.982	£25	30/11	28¼	25⅞	Cap & Counties 9⅞% 1st Mt. Db 2027	27	+½
‡99.239	F.P.	20/7	99¾	98⅝	Dares Est. 10¼% 1st Mt. Deb. 2012	98¾	−⅛
||	Nil	—	34ppm	27ppm	Dencora 6¼% Com. Cnv. Red. Pf.	34ppm	+3
¶¶	F.P.	—	147p	108p	✤Gibbons Lyons 7% Cnv Cum Red Pf. (£1)	147p	+7
§	£50	—	50⅛	50⅛	Govett Strategic Inv Tst 9⅞% Deb 2017	50⅛	......
—	£25	28/8	26½	23¾	Gt. Portland Ests. 9½% 1st Mt. Db 2016	24¼	+⅛
—	£10	24/7	11	11	Mid-Southern Water 7% Red. Prf. 1997	11	—
—	F.P.	—	101	99⅞	Nationwide 8⅞pc 23.5.88	100	......
—	F.P.	—	100⅛	99¹³⁄₁₆	Do. 8¹³⁄₁₆ pc Bds 20/6/88	100	......
||	Nil	29/7	27ppm	20ppm	Noble & Lund 8pc CnvCumRedPrf(£1)	24ppm	+4
—	£25	11/11	25½	23	North Housing Assoc. 8¾% Gtd.ln.2037	24⅛	......
—	F.P.	2/7	298p	240p	Do. Zero Cpn. Ln. 2027	295p	......
—	F.P.	—	175p	160p	P&O Subs. Warrts. 1988-92 (Ann. Wrrts)	165	+5
‡95.221	£25	2/10	26	23½	Peachey Property 9½% 1st Mt.Deb.2015	24⅞	+⅞
—	£40	12/8	42	38¾	Peel 9⅞pc 1st Mt. Deb. 2011	40¼	+¼
§—	F.P.	15/7	106p	101p	Prowting 8.3% Cnv. Red. Prf 2002 (£1)	106p	+2
§—	F.P.	—	174p	172p	Do. 13¼% Cum. Prf. (£1)	173½p	......
‡98.221	£25	9/10	26⅛	23¾	Scot. Eastern Inv.Tst. 9¾% Deb 2020	23½	+⅛
¶¶	F.P.	—	119p	106p	Spong Cnv. Com. Red. Prf. (20p)	119p	+1
‡98.105	F.P.	10/7	101⅛	99⅛	Tr Ind & Gen Tst. 10% Deb 2016	100	+⅛

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
210	Nil	24/7	81pm	42pm	Arlington Securities 10p	81pm	......
136	Nil	24/7	83pm	76pm	Bank Ireland cap. (Ir £1)	76pm	......
350	Nil	23/7	90pm	48pm	Berkeley Group	90pm	+5
¶¶	Nil	19/6	625pm	173pm	Brathwaite £1	230pm	−5
625cts	Nil	19/6	130pm	80pm	Cons Murchison	80pm	......
DM450	Nil	—	300pm	252pm	Deutsche Bk. Dm50	300pm	......
25	Nil	24/7	27½pm	15pm	Epicure Hldgs. 5p.	27½pm	......
250	Nil	22/7	100pm	85pm	✤FKB Group 5p	95pm	......
210	Nil	29/7	66pm	44pm	Hazlewood 10p	66pm	......
397	Nil	20/7	40pm	15pm	✤KLP Group 5p	35pm	+5
265	Nil	15/7	114pm	84pm	Kennedy Brookes 10p	109pm	......
¶¶	Nil	—	15pm	4pm	Manton Bros. Pfd. 20p	11pm	−1
180	Nil	10/7	83pm	65pm	Quick (H. & J.) 10p	83pm	+10
21	Nil	17/7	9½pm	7pm	Rock 10p.	7½pm	......
345	Nil	17/7	99pm	60pm	✤Tay Homes	97pm	......
575	Nil	24/7	85pm	67pm	WCRS Grp. 10p.	85pm	−2

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *r* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. || Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ✤ Unlisted securities market. †† Official London listings. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price.

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

June 17	Price Sch%	+ or −
Creditanstalt	1910.00	.....
Goesser	2650.00	.....
Interunfall	108.00	.....
Jungbunzlauer	7225	.....
Laenderbank	1767.00	.....
Perlmooser	689.00	.....
Steyr-Daimler	128.00	.....
Veitscher Mag	710.00	.....

BELGIUM/LUXEMBOURG

June 18	Price Frs.	+ or −
B.B.L.	3200	−40
Banque Gen. Du. L.	15300	.....
Bank Int. A	14300	.....
Bekaert B	10300	+50
Ciment CBR	5320	+70
Cockerill	171	−4
Delhaize	3255	+55
EBES	4980	+20
Fabrique Nat	1650	−5
GB Inno BM	1114	−16
GBL (Brux) L	3780	−30
Generale Bank	6300	+70
Gevaert	6710	.....
Hoboken	7250	+70
Intercom	3965	+15
Kredietbank	4630	+100
Pan Holdings	12500	.....
Petrofina	11250	−25
Royale Belge	6000	+80
Soc Gen Belge	3440.00	−15
Sofina	13850	−150
Solvay	12100	.....
Stanwick Intl.	450	.....
Tractebel	7300	.....
UCB	9450	+50
Wagons Lits	5430	+30

DENMARK

June 18	Price Kr %	+ or −
Baltica Skand	970.00	+15
Cop Handelsbank	293.00	+2
D. Sukkerfab	332.00	+1
Den Danske Bank	370	+3
East Asiatic	207.00	+6
Forenede Bryg	840	.....
GNT Holding	260.00	.....
I.S.S.B. Systems	780.00	.....
Jyske Bank	555	.....
Novo Inds.*	271.00	−5
Privatbanken	280.00	+5
Sophus Berendsen	930.00	+5
Superfos	236.00	+7

FINLAND

June 18	Price Mks	+ or −
Amer	221	−0.5
KOP	49.58	−0.15
Kone	215	−7.5
Finnish Sugar	88.6	−0.85
Nokia	169.5	+3
Pohjola 'B'	82.75	−0.35
Rauma-Repola	27	−1.1
Stockmann 'B'	243.5	.....
UBF 'C'	33.4	+0.15
Utd. Paper	151.5	+1
Wartsila (s11)	206.5	−1

FRANCE

June 18	Price Frs.	+ or −
Emprunt 4½% '73	1910	.....
Emprunt 7% 1973	8881	.....
Accor	450.00	−6
Agence Havas	485	−44
Air Liquide	672	−10
BIC	710	−1
BNP (Cert. Inv.)	545	.....
Bongrain	2700	−50
Bouygues	1050	.....
BSN Gervais	4940	−20
CIT-Alcatel	2495	.....
Carrefour	3199	−36
Club Mediterranean	594	−32
Cie Bancaire	672	−17
Cofimeg	374.80	−0.2
CGE	324	.....
Damart	2799	.....
Darty	393	−11
Dumez S.A.	2181	−14
Eaux (Cie Gen)	1136	−34
Elf-Aquitaine	367	−3.5
Essilor	3500	−75
Gen. Occidentale	1139	−31
Imetal	116.50	−2.7
Lafarge Coppee	1560	.....
L'Oreal	4051	−49
Legrand	5460	−80
Maisons Phenix	82	+1.1
Matra S.A.	2235	−40
Michelin B	3190	−115
Midi (Cie)	1305	−98
Moet-Hennessy	2570	.....
Moulinex	81	−8
Nord Est	160.50	−9
Paribas	463	−11.5
Pernod Ricard	1010	.....
Perrier	771	−20
Petroles Fra	476	−22
Peugeot S.A.	1531	.....
Printemps Au	716	−1
Radiotech	1475	.....
Redoute	2957	−13
Roussel-Uclaf	1486	−44
St. Gobain	421	−7
Sefimeg	485	−15
Skis Rossignol	1200	−5
Telemech Elect	2860	−41
Thompson (CSF)	1365	−55
Valeo	560	−20

GERMANY

June 17	Price Dm.	+ or −
AEG	312.00	.....
Allianz Vers	1719.00	.....
BASF	299.50	.....
Bayer	325.50	.....
Bayer-Hypo	397.00	.....
Bayer-Verein	395.00	.....
BHF-Bank	422.00	.....
BMW	640.00	.....
Brown Boveri	313.00	.....
Commerzbank	262.50	.....
Cont'l Gummi	332.60	.....
Daimler-Benz	1043.80	.....
Degussa	475.00	.....
D'sche Babcock	214.00	.....
Deutsche Bank	594.50	.....
Dresdner Bank	314.90	.....
Feld Muehle Nob	303.00	.....
Henkel	524.60	.....
Hochtief	639.20	.....
Hoechst	287.00	.....
Hoesch Werke	120.20	.....
Holzmann (P)	380.50	.....
Horten	222.00	.....
Hussel	519.50	.....
Karstadt	436.50	.....
Kaufhof	489.00	.....
KHD	175.50	.....
Kloeckner	43.00	.....
Linde	696.00	.....
Lufthansa	181.00	.....
MAN	170.50	.....
Mannesmann	156.50	.....
Mercedes Hld.	904.00	.....
Metallgesell	321.00	.....
Muench Rueck	1640	.....
Nixdorf	795.00	.....
Porsche	955.00	.....
Preussag	147.00	.....
Rhein West Elect.	210.50	.....
Rosenthal	246.00	.....
Schering	570.00	.....
Siemens	711.50	.....
Thyssen	119.80	.....
Varta	330.00	.....
Veba	312.50	.....
V.E.W.	172.50	.....
Verein-West	405.00	.....
Volkswagen	384.50	.....

ITALY

June 18	Price Lire	+ or −
Banca Com'le	23720	+30
Bastogi-IRBS	677.0	+3
CIR	6175	.....
Credito Italian	2140	.....
Fiat	13340	+310
Generali Assicur	135600	+200
Italcement	99200	+300
La Rinascenti	1282	+2
Montedison	2600	+40
Olivetti	13600	.....
Pirelli Co	6705	+16
Pirelli Spa	5221	+41
Saipem	3699	−46
Snia BPD	3785	+5
Toro Assic	33190	+190

NETHERLANDS

June 18	Price Fls.	+ or −
ACF Holding	61.10	−0.4
AEGON	91.30	+0.7
Ahold	93.90	−0.3
AKZO	142.20	−1
ABN	466	−5
AMEV	64.80	−0.2
AMRO	73.10	−0.9
Bredero Cert	36	+1.5
Buehrmann-Tet	51.30	.....
Dordtsche Petroleum	241.10	−2.4
Elsevier Ndu	51.90	−0.3
Fokker	52	+0.1
Gist Brocades	44.40	−0.3
Heineken	175	−1.8
Hoogovens	42.20	−0.7
Hunter Douglas	51	−0.8
IHC Caland	20.90	+0.2
Int Mueller	62.10	−1.4
KLM	51	+1.2
KNP	142.90	−1.4
Nat Ned Cert	70.60	+0.1
Ned Mid Bank	157.50	+0.5
Ned Lloyd	141	+0.5
Oce Grinten	416	+1
Ommeren (Van)	34.50	−0.8
Pakhoed	74.70	+1.2
Philips	49.50	+0.4
Robeco	105.70	−0.3
Rodamco	146.70	−0.1
Rolinco	99.80	−0.6
Rorento	52.50	.....
Royal Dutch	263.30	−1.2
Unilever	672.50	−11
VMF Stork	83.30	+39.4
VNU	86.40	.....
Wessanen	83.50	−0.8
Wolters Samson	132.80	+0.8

NORWAY

June 18	Price Kroner	+ or −
Aker-Norcem	73.00	.....
Bergen bank	172.50	+3
Bergesen B	382.00	−2
Christiania Bk	180.00	+0.5
Den Norsk Credit	154.00	+1
Elkem	104.00	+0.5
Kosmos	140.50	+0.5
Kvaerner	206.00	−1.5
Norsk Data	217.00	−3.5
Norsk Hydro	200.00	−0.5
Orkla Borregaar	394.00	−0.5
Storebrand	349.00	.....

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices June 18

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices June 18

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

LONDON — Most Active Stocks
Thursday, June 18 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
British Gas	55.0m	184	− 4½	Comm Union	7.2m	354	−11
British Telecom	22.8m	303	−12	Amstrad	7.2m	173	− 2
TSB	7.5m	90	− 3	Guinness	6.7m	372	− 9
Gen Elect	7.5m	247	+ 4½	British Airways	6.3m	151	− 6
Hanson Trust	7.2m	183½	− 3	Hawker Siddeley	6.2m	536	+14

TOKYO — Most Active Stocks
June 18, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Japan Line	48.49m	248	−13	Kaisei Elec Ry			
Kawasaki Steel	37.12m	275	− 8	Fujitsu	14.01m	815	+ 6
Nippon Steel	25.42m	353	− 4	Mitsubishi Heavy Ind.	11.38m	1,080	−50
Toyobo	16.97m	582	− 8	Mitsui Petrochemical	10.51m	810	− 7
Kureha Industries	16.51m	630	+10	Hitachi	10.35m	895	+25
					9.75m	1,180	−10

Base values of all indices are 100 except Brussels SE—1,000; JSE Gold—255.7; JSE Industrials—264.3; and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 47

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Beatson Clark	399	+18
Brent Walker	386	+24
Burmah Oil	577	+18
Corah	118	+13
DSC	433	+50
Johnson Matthey	377	+14
Kwik & Save	428	+38
Laing (John)	378	+12
LoweHrd-Spk&Bl	492	+48
Lucas Inds	694	+11½
ML Hldgs	738	+35
Clives Paper Mill	138	+20
Owners Abroad	144½	+10½
Ransomes Sims	335	+19
Thorn EMI	752	+19
Utd Newspapers	520	+27

FALLS:

Tr 12½ pc 2003-05	£130¾	− 1⅛
Exch 12 pc 2013-17	£132¾	− 1⅛
Allied-Lyons	430	−10
Beecham	557	−15
Brit Gas	184	− 4½
Brit Tel	303	−12
Comm. Union	354	−11
Finlay (James)	104	− 7
Glaxo	£17¼	− ⅜
Guinness	372	− 9
Land Securities	547½	−11½
Oxford Instr	349	−40

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.5	23	54	33¼	33	33	
37	21⅞	ADT	.92	2.9	18	28	32	31¾	31¾	−⅜
27¾	16¾	AFG s	.16	.6	12	1009	27	26⅝	26⅞	+⅛
22⅝	8⅝	AGS s			19	172	18½	18	18⅛	+⅛
13	6¾	AMCA				13	7⅞	7⅞	7⅞	
9⅜	4⅞	AM Intl				2057	7⅞	7⅜	7¾	+⅜
62⅛	47¼	AMR			12	2130	59⅝	59⅛	59¼	−¼
11¾	8	ARX s			12	55	10⅞	10½	10⅝	−⅛
73½	28¾	ASA	2a	3.4		298	58⅞	58¼	58¾	+¾
25	9¾	AVX		1.8	68	47	17½	17⅜	17½	
67	41	AbtLab	1	1.5	27	3581	65¼	64⅛	65⅛	+½
25⅛	16⅝	AccoWs .44		1.9	21	148	23⅞	23⅝	23⅝	−¼
15⅛	9	AcmeC .40		3.0	10	43	13½	13	13⅜	
8⅝	6⅛	AcmeE .32b		4.1	30	1	7¾	7¾	7¾	
23⅞	19	AdaEx 3.42e		16		143	22	21⅝	22	+¼
19½	11⅜	AdmM s .24		1.5	12	8	16½	16¼	16¼	−¼
23⅝	12⅛	AdvSys .62t		2.6	17	183	23⅝	23⅜	23½	+⅛
24½	12⅞	AMD				1638	20	19¾	19⅞	−⅛
54¾	49⅝	AMD pf	3	5.9		40	51¼	51¼	51¼	
10¾	5¼	Adobe				348	9¼	8⅞	8⅞	−⅛
20½	13¾	Adob pf 1.84		9.8		16	19⅛	18¾	18¾	−⅜
21⅞	16⅜	Adob pf 2.40		12.		90	20⅝	20⅝	20⅝	+⅛
16⅛	10⅜	Adv [illegible] 12a		1.0	9	66	12¾	12⅝	12⅝	
68¼	53	AetnLf 2.76		4.5	9	5173	60⅞	60¼	60¾	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
2½	1	Ptrinv	.07e	5.1		4	1⅜	1⅜	1⅜	+ ⅛
77	58¼	Pfizer	1.80	2.6	17	3223	70	69½	69⅞	− ⅜
38⅜	15	PhelpD			31	631	36⅜	35⅝	35½	− 1⅛
58½	51	PhlpD pf3.40		6.1		100	56	56	56	− 1
26	18⅞	PhilaEl2.20		10.	8	2091	21⅜	21⅛	21⅜	+ ⅛
43¼	34½	PhE	pfA3.80	9.7		y470	039	39	39	+ 2½
54	41¾	PhE	pfD4 68	11.		y30	44½	44½	44½	− 1½
87⅛	70	PhE	pfG8 75	10.		y200	84½	83½	84½	+ 2
13⅞	12	PhE	pfR1.41	11.		x40	12¾	12⅝	12¾	+ ½
13¼	11	PhE	pfP1 33	11.		x71	12	11¾	11⅞	
88⅜	70¾	PhE	pfH7.85	10.		y220	76	74½	76	+ 1
12⅞	11	PhE	pfO1.28	11.		x75	11¾	11⅝	11⅝	− ⅛
124	110	PhE	pfM15.25	13.		y70	113	113	113	+ 2⅞
103	84	PhE	pfK9.50	11.		y150	90	90	90	+ 1⅝
88	71	PhE	pfJ7.80	10.		y100	77¾	77¾	77¾	+ 1½
85	68	PhE	pfI7.75	11.		y100	73⅛	73⅛	73⅛	+ 1⅛
19¼	13¾	PhilSb s .94		6.2	12	31	15⅜	15¼	15¼	+ ⅛
92¼	63	PhilMr	3	3.3	14	4320	89⅞	88⅝	89¾	− ¼
22	13	Philpl s .36		1.7	18	336	20¾	20¼	20⅝	+ ⅝
25⅞	18⅝	[illegible]	.80e	3.3	11	2468	24½	24	24⅜	+ ⅜
17⅛	8¾	PhilPet .60		3.6	45	2440	16½	16¼	16½	
24⅜	19¼	PhlPt pf1.75e		7.3		2143	24⅛	24⅛	24⅛	− ⅛
13½	5⅛	Phlcrp n				104	6⅝	6⅜	6⅜	
71	35¾	PiedAv .32		.5	17	1428	68⅞	68⅝	68¾	
71	49½	PiedA pf				505	69⅛	69⅛	69⅛	+ ⅛
24¼	17	PiedNG1.32		6.4	10	x36	21	20⅝	20⅝	− ½
19⅝	10⅛	Pier 1 s .08b		.4	32	841	u19¾	18¼	18¾	+ ⅝
11	7¼	PilgRg .25e		3.2		134	8⅜	8¼	8¼	
15⅜	9¼	PilgPr n.02e		.2	11	250	10⅝	10⅜	10½	− ⅛
46⅛	32⅝	Pilsby s	1	2.3	19	2407	44¼	42¾	44¼	+ ⅝
32¾	28⅞	PinWst2.80		8.8	10	682	32¼	32	32	− ⅛
36¾	21⅞	PionrEL13e		.4	87	7	35¾	35¾	35¾	− ¼
46⅛	27⅜	PitnyB s .78		1.8	20	1306	42⅞	41¾	42¾	+ ⅞
181	114	PitnB pf2.12		1.3		1	168	168	168	+ 4
16½	10½	Pittstn			45	873	15½	15	15¼	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
3⅝	1⅛	Savin				1852	1⅝	1½	1½	
5⅞	3⅛	Savin pf				10	4½	4½	4½	
42⅞	30⅞	SCANA2.32		7.0	10	112	33¼	33	33¼	+ ¼
10	8	Schlr n				275	8¼	8⅛	8¼	
51	34¾	SchrPl s			21	1349	48⅜	48½	48	+ ⅛
46⅛	27¼	Schlmb1.20		2.7		4824	45⅛	44⅝	44⅞	+ ⅛
18½	8½	SciAtl	12	.7		1363	18¼	17¾	18	
82½	52¾	ScottP 1.36		1.8	14	1148	74½	72⅛	74⅛	+ 1⅜
18	12	Scottys .52		3.8	19	128	14	13⅝	13¾	
25¾	12¾	SeaCnt				188	21	20⅞	20⅞	− ⅛
14⅛	7⅞	SeaCt pf1.46		11.		18	13⅛	13⅛	13⅛	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	13⅜	TrstEng.10b		.5	15	46	20½	20⅛	20⅛	− ½
65	51	TucsEP3.60		6.2	12	226	58⅜	58	58⅜	
24	15⅛	Tultex s .36		1.9	16	468	18¾	18¼	18½	− ⅛
52⅝	30¾	TycoLb .40		.9	19	1155	45¼	44¼	45¼	+ ½
17⅛	11¼	Tyler	.40	3.2	24	542	12⅝	12⅛	12⅝	− ⅛
		U U U								
44½	16	UCCEL			37	1287	41½	41⅛	41½	− ⅛
27⅛	17¼	UDC s	2.20	10.	7	89	21⅞	20½	21¾	+ ⅝
32	24	UGI	2.04	7.2	13	108	28¾	28¼	28½	+ ⅛
		X Y Z								
81¼	48⅝	Xerox	3	3.8	19	2585	80	79½	79¾	− ¼
58¼	54⅜	Xerox pf5 45		10.		56	55	54¾	54¾	
28¾	21½	XTRA	.64	2.5		105	26	25⅞	26	
35⅞	16	Yorkln			17	92	u26½	25¾	26¼	+ ½
6	2¼	Zapata				410	4⅝	4½	4⅝	
43⅞	20¾	Zayre	.40	1.4	18	8722	29¼	28¼	29	
14¾	9¼	Zemex	.40	3.1	8	7	12⅞	12¾	12¾	− ¼
29¾	18⅞	ZenithE				859	28¼	27⅞	28¼	− ¼
17½	8	ZenLab				3560	11½	10⅝	11½	+ 1
19½	12⅝	Zero	.36	2.3	16	67	16¼	16	16	− ⅛
52½	32¾	Zurnin 1.36		2.7	18	86	51½	50⅝	50¾	− ⅝
10⅝	6⅝	Zweig n.10e		1.1		885	9¼	9	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Rise to record despite caution over futures

WALL STREET

CAUTIOUS over the impending expiry of futures and options, investors took to the sidelines yesterday leaving Wall Street stock prices to drift fractionally higher to record levels in moderate trading, *writes Roderick Oram in New York.*

Credit markets took their cue from a slight weakening of the dollar which pulled down bond prices by as much as a point.

The Dow Jones industrial average closed up 0.78 points at a record 2,408.13 in a trendless fashion for the second day running. Broader market indices showed similar slim rises to records with the Standard & Poor's 500 index adding 0.88 to 305.69.

Some better performances were turned in by *secondary stocks* which helped push the New York Stock Exchange composite index up 1.24 to a record 172.68. NYSE volume was 168.7m shares with the *number of issues declining just out* numbering those advancing.

Markets were coping yesterday for the first time with changes to quarterly futures and options expiries. The new rules broke up the pattern of simultaneous expiries of previous Triple Witching Hours.

The Dow with the popular Standard & Poor's 500 index futures contract due to be settled *at the opening of* trading today, traders and investors were unsure of the impact on the markets. Generally, it was felt that the expiries would pass without *heavy* price and *volume volatility* seen at Triple Witching Hours. Many investors had already played it safe by rolling over their expiring June futures and options into September contracts.

Such action as there was yesterday came from the takeover arena. Gillette jumped $2¼ to $39⅛ with volume of nearly 9m shares making it the most active New York Stock Exchange issue. Revlon, the cosmetics group headed by New York corporate raider Mr Ronald Perelman, asked Gillette for permission to make a takeover offer of $40½ a share.

Pan Am rose $⅛ to $6¼ on more than 5.8m shares, making it the second most active NYSE issue. Newspaper reports said Mr Donald Trump, the New York real estate developer and casino operator, was poised to acquire a 17 per cent stake in the heavily lossmaking airline.

Salomon Inc. was unchanged at $34⅞. It declined to comment on reports that it had trading losses of up to $100m during the bond market rout in April and May. It said it would be profitable overall in the second quarter. First Boston, which earlier announced large trading losses for that period, edged up $⅛ to $44⅞.

Stocks of Wall Street firms were mixed as analysts revised downwards their earnings forecasts for some firms. Total trading losses from the precipitous plunge in bond prices this spring could total $1bn, some observers suggested.

Among the firms, Merrill Lynch was off $⅛ to $36⅝, E.F. Hutton added $⅛ to $40⅜, Shearson Lehman was unchanged at $30 and Bear Stearns was unchanged at $16⅝. A.G. Edwards, a leading regional broker reporting yesterday first-quarter net profit of 52 cents a share against 62 cents on flat revenues, fell $1⅛ to $30⅝.

JWT rose $⅛ to $52⅞. The advertising and public relations group said it would discuss the offer from WPP, the British marketing services company, to take it over at up to $50½ a share in an agreed bid.

Credit markets were swayed by the modest retreat of the dollar overnight abroad which had undermined US bond prices in Asia and Europe.

By late afternoon, the benchmark 8.75 per cent treasury long bond was one point lower at 102¾ yielding 8.48 per cent. Shorter maturities suffered smaller falls while rates on *Treasury bills were little changed.*

CANADA

WITH INVESTORS sidelined prior to the Government's announcement of tax reform proposals after the close, Toronto prices slipped in light trade.

Banks and quality industrials dominated trading. Bank of Montreal fell C$⅛ to C$33⅜ and Canadian Imperial Bank of Commerce lost C$⅛ to C$21⅝. Canadian Pacific was C$⅛ lower at C$24⅛ and Bell Canada C$⅛ off at C$41⅞.

In a steady metals and minings sector, Inco was unchanged at C$24⅞ as was Alcan at C$40⅞. Noranda added C$⅛ to C$28⅝.

Golds made modest headway, with Campbell Red Lake C$¼ firmer at C$34½ and Lac Minerals up C$¼ at C$42⅝.

SOUTH AFRICA

GOLD SHARES closed little changed in trendless Johannesburg trading despite some late interest from US investors.

The gold index edged 1 down to 2,056. Vaal Reefs fell R3 to R406 and Western Deep R2 to R196.50. Randfontein, however, managed a R7.50 rise to R432.50 and Harties was also R1 stronger at R27.75 among the cheeper issues. Freegold was steady at R50.25.

Diamond share De Beers, which has shadowed golds recently, eased 15 cents to R38.75. Mining houses were also gently down, with Gencor R1 off at R54, although Anglo American was unchanged at R82.25.

Industrials were again quiet. Bellwether Barlow Rand closed just 15 cents down at R25.

EUROPE

Paris sinks following gloomy economic news

MOST European bourses faltered in reduced trade either on profit-taking or bearish domestic news. Frankfurt and Madrid were both closed for holidays.

Paris fell sharply under the weight of a series of gloomy economic indicators. Sentiment was depressed by news that France's industrial production index fell 1 per cent in April from March while the country's seasonally adjusted trade deficit widened and current account surplus fell. The franc's subsequent fall against the D-Mark in turn raised fears of higher domestic interest rates.

The latter worry hurt construction issues. GTM led the falls with an 8 per cent plunge of FFr 49 to FFr 559. Bouygues, the world's largest construction group, fell FFr 11 to FFr 1,039 and Auxiliaire des Entreprises FFr 61 at FFr 1,270.

Portfolio stocks were also affected. Sade gave up FFr 22 to FFr 238 and Comptoir des Entrepreneurs FFr 17.50 to FFr 231.

The slightly weaker dollar pulled export issues lower. Food stock Darty fell a further FFr 20 to a 12-month low of FFr 355 and Guyenne Gascogne FFr 38 to FFr 865.

The car sector dipped again. Peugeot was FFr 34 off at FFr 1,497 and Michelin was FFr lower 119 at FFr 3,150. Car parts maker Valeo gave up FFr 20 to FFr 550.

Among generally cheaper electronics issues, Thomson CSF lost FFr 55 to FFr 1,365 and Radiotechnique FFr 74 at FFr 1,401.

Hachette gave up FFr 40 to FFr 2,900. The publisher said it expected a record 15 per cent rise in profits this year.

Amsterdam eased on profit-taking from Wednesday's rally against a backdrop of pessimism over the dollar's weakness during most of the session and a faltering start on Wall Street.

Publishing shares settled from the recent turmoil over the takeover battle for Kluwer as investors awaited an official bid for the group *from Elsevier. Elsevier edged 30* cents down to Fl 51.90 and Kluwer lost Fl 3 to Fl 387. Wolters Samsom, which plans merging with Kluwer, fell 20 cents to Fl 132.80.

Airline KLM rose Fl 1.20 to Fl 51. *It disappointed expectations by confirming after the close that net 1986* profits of Fl 301m were down Fl 11m on the previous year.

Blue chip internationals gave *ground, with Akzo Fl 1 off at Fl 141.20 and Unilever Fl 11 down at Fl* 672.50. The food to detergents group would not comment on rumours that it was considering a bid for US health care group Gillette.

Philips rose another 40 cents to Fl 49.50. The Spanish Government approved a joint venture between the Dutch electronics manufacturer and ATT of the US.

Zurich succumbed to profit-taking. Financials were mostly lower, with bearer shares of insurers Swiss Re and Zurich down SFr 300 at SFr 8,750 and SFr 25 at SFr 6,525, respectively. Union Bank bearers fell SFr 20 to SFr 4,655 and Credit Suisse SFr 10 to SFr 3,020 in a mixed banking sector. Swiss Bank bearers managed a SFr 6 rise to SFr 441 and Volksbank SFr 10 to SFr 2,050.

Brown Boveri bearers lost SFr 25 of recent gains to close at SFr 2,295.

Ciba-Geigy continued its advances with a SFr 10 gain to SFr 3,460. In foods, Nestlé bearers climbed SFr 100 to SFr 9,300. Swissair fell SFr 10 to SFr 1,365. It announced plans to diversify into golf and country clubs.

Brussels was again steady in thin trading. The stock-exchange index rose 2.49 to 4,671.82.

Banks, however, found good support and saw Générale BFr 70 higher at BFr 6,300 and Kredietbank also BFr 70 up at BFr 4,600. Holdings eased.

Cockerill-Sambré fell a further BFr 4 to BFr 171 in continued busy trade. In other industrials, Hoboken added BFr 70 to BFr 7,250.

Wagons Lits added BFr 30 to BFr 5,430. The tourism group said it expected a rise in income this year. GB-Inno, however, made the same prediction but eased BFr 16 to BFr 1,114.

Milan finished mixed in quieter trade following the buying and profit-taking surge which greeted the election results.

Fiat led early rises, however, and closed L283 higher at L13,315. Montedison also rose, by L38 to L2,569. Buitoni climbed L210 to L7,500 in strong foreign demand.

The market was weaker elsewhere. Insurer Generali gave up L350 to L135,400 and Toro Assicurazioni gave up L300 to L33,190.

Oslo closed little changed in a quiet session. The all-share index fell 0.12 to 330.26.

Oils, however, firmed slightly, with Saga Petroleum adding NKr 1 to NKr 102. Banks also posted some modest gains.

Stockholm was moderately firmer in busy trade. The Veckans Affarer all-share index rose 0.6 to 1004.8.

LONDON

THE RELUCTANCE of foreign investors to return to the London equity market finally undermined prices. A big sale of Glaxo stock overnight in New York after adverse press reports also troubled the market and the FT-SE 100 index lost 45 at one point before rallying near the close. Glaxo closed £½ off in London at £17¼.

The FT-SE 100 index closed 27.2 down at 2,293.20, and the FT Ordinary fell back 18.6 to 1,783.1.

Glaxo apart, most blue chips held their ground, and some housebuilding shares benefited from the latest round of mortgage rate cuts. Banks, however, were mostly easier.

Government bonds drew little support from the lower lending rates and fell sharply from early gains in the wake of the latest UK money supply and sterling bank lending statistics. Details Page 44.

Nomura to join UK market makers

By Hugo Dixon in London

NOMURA SECURITIES, Japan's largest investment house, plans to start making markets in selective British and European equities in the next few months. It would be the first Japanese firm to do so.

Nomura has been acting as a broker in British equities since it became a member of the London Stock Exchange last March. Recently, however, it has built up a team of analysts to provide the research to back up a market-making capacity.

Initially, it expects to make markets in companies with large capitalisations in sectors where it has already developed an expertise.

It will supplement these with European stocks in similar sector traded in London on the so-called Euro-equity market. "We'll start slowly and build it up," the firm said.

Nomura expects its involvement in market-making to enable it to give its Japanese clients a better service and help it generate more profits.

AUSTRALIA

ANOTHER drop in Australian interest rates failed to prevent Sydney share prices falling for a fourth session running, with the All Ordinaries slipping 4.6 to 1,798.2.

Sentiment was depressed by uncertainty over the forthcoming elections and the direction of bullion prices. However, oils managed a rise following gains in New York oil futures.

ASIA

Retailers lead partial rally from steep fall

TOKYO

LATE BUYING of retail and chemical issues led Tokyo share prices back from steep early losses yesterday although they closed lower on the day, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed 178.87 points down at 25,750.55 after tumbling 501 at one stage in early trading. Turnover weakened from 1.13bn to 817m shares. Declines led advances by 590 to 354, with 114 issues unchanged.

Traders said the broad early fall was caused by small-lot selling against slack buying. One major securities company official said the bearish market heralded the start of a shift in the market's buying priorities and trade usually remained dull for a few days during such transitions.

Dealers and general investors seem poised to seek shares in companies expected to perform strongly in coming months as a result of the economic resurgence, the official said, observing that this will mean an end to the recent bull market created by brisk trading in large-capital stocks for quick profits.

Consumer spending-related stocks, such as department store and supermarket chain operators, are already benefiting from hopes of an economic pick-up. Tokyu Department Stores improved Y30 to Y1,270, Mitsukoshi Y80 to Y1,840 and Ito-Yokado Y100 to Y4,200.

Some chemicals advanced on late buying, sparked by hopes for stronger demand for chemical products and a subsequent recovery in chemical prices: Mitsubishi Petrochemical rose Y30 to Y800 on prospects for a record profit for the year to March 1988. Mitsui Petrochemical Industries added Y25 to Y895, Shin-Estu Chemical Y80 to Y2,020 and Hitachi Chemical Y200 to Y1,610.

High-technology stocks ended slightly lower. Fujitsu, with 11.39m shares traded, closed Y50 down at Y1,080 after slipping Y80 at one stage. Matsushita Electric Industrial shed Y20 to Y2,000, Hitachi Y10 to Y1,100. Sony added Y10 to Y3,750 after slumping Y140 in early trading.

Electric power and gas utilities fell steeply: Tokyo Electric Power tumbled Y200 to a low for this year of Y7,490, Kansai Electric Power Y90 to Y3,700 and Tokyo Gas Y20 to Y1,270.

Nippon Telegraph and Telephone (NTT) closed a sharp Y80,000 down at Y2.75m after dropping Y120,000 at one stage, reflecting concern among major securities houses over the likelihood they will be forced to underwrite NTT shares at a high price when the Government makes a second release of 1.95m of the shares this autumn.

Japan Line was the most active stock, with 48.49m shares changing hands, easing Y13 to Y246 on late selling.

Bonds rebounded moderately in speculative trading by dealers after plunging for the third day running. But dealers and institutional investors remained unsure about the market outlook, with hopes fading that there would be another discount rate cut.

The yield on the 5.1 per cent government bond due in June 1996 fell from the previous day's 3.200 per cent finish to 3.140 per cent at the start of trading. It later dropped further to 3.080 per cent and ended at 3.130 per cent.

HONG KONG

A SHARP CORRECTION in late trading in Hong Kong pushed the Hang Seng index down 44.88 to 3,133.74 in turnover which was also well down from Wednesday at HK$1.25bn.

The setback was due to profit-taking, worries about a rise in the local prime rate and disappointment over Dairy Farm's tender offer for 22 per cent of Kwik Save of the UK.

Dairy Farm was suspended at HK$5.40, down 10 cents. Elsewhere in the Jardine group, Jardine Matheson fell 40 cents to HK$18.90 and Jardine Strategic lost 40 cents to HK$12.10.

Properties, which have led the recent advance to new peaks, fell back, with Cheung Kong down 60 cents at HK$12.90 and New World and Sun Hung Kai each giving up 30 cents to HK$12.50 and HK$16.60, respectively.

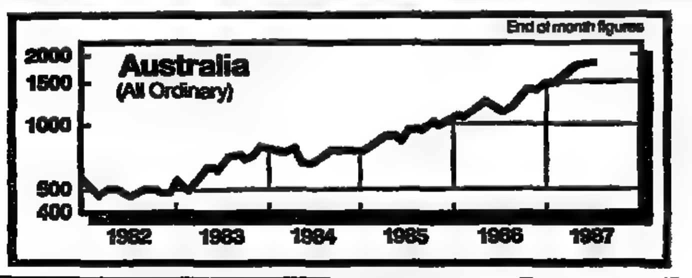
SINGAPORE

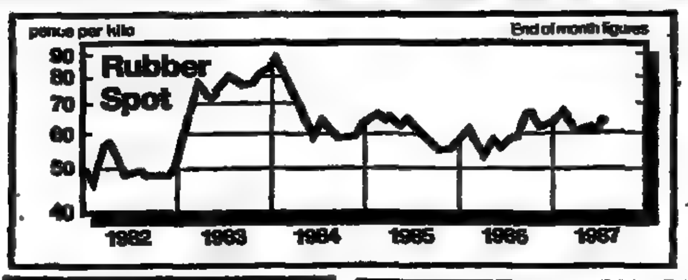
A BULLISH start petered out in Singapore in the face of profit-taking, and the Straits Times industrial index finished 1.43 lower at 1,235.17.

Sembawang Maritime started trading and closed at S$3.28 compared with its issue price of S$1.80, with over 5.7m shares traded.

Blue chips were mixed, with Singapore Airlines off 10 cents at S$13.40 and Genting 15 cents lower at S$6.40 but City Development rising 20 cents to S$4.32.

KEY MARKET MONITORS





STOCK MARKET INDICES

	June 18	Prev	Year ago
NEW YORK			
DJ Industrials	2,408.13	2,406.86	1,868.94
DJ Transport	1,026.81	1,020.85	761.63
DJ Utilities	204.11	203.36	189.17
S&P Comp.	305.69	305.04	244.99
LONDON FT			
Ord	1,783.1	1,801.7	1,350.0
SE 100	2,293.2	2,320.4	1,619.00
A All-share	1,149.23	1,158.36	803.21
A 500	1,278.52	1,289.11	886.54
Gold mines	383.0	380.2	221.7
A Long gilt	8.90	8.84	9.46
World Act. Ind	134.97	134.77	90.52
TOKYO			
Nikkei	25,750.55	25,929.42	17,177.1
Tokyo SE	2,221.82	2,241.59	1,329.12
AUSTRALIA			
All Ord.	1,798.2	1,802.8	1,200.6
Metals & Mins.	1,087.9	1,095.3	522.0
AUSTRIA			
Credit Aktien	closed	183.29	240.15
BELGIAN SE	4,674.30	4,671.80	3,546.23
CANADA			
Toronto			
Met.& Mins.	2,836.5	2,840.9	2,151
Composite	3,720.7	3,699.1	3,066.6
Montreal			
Portfolio	1,877.75	1,858.16	1,553.71
DENMARK SE			
SE	n/a	210.89	219.85
FRANCE			
CAC Gen	409.80	414.50	344.6
Ind. Tendance	100.20	103.20	81.04
WEST GERMANY			
FAZ-Aktien	closed	closed	675.68
Commerzbank	*closed*	*closed*	*2,030.8*
HONG KONG Hang Seng	3,133.74	3,178.62	1,789.78
ITALY Banca Comm.	715.99	715.01	687.04
NETHERLANDS ANP CBS			
Gen	286.00	298.20	290.4
Ind	255.60	252.90	283.5
NORWAY Oslo SE	432.71	434.29	360.11
SINGAPORE Straits Times	1,235.10	1,236.60	748.66
SOUTH AFRICA JSE			
Golds	—	2,057.0	1,256.6
Industrials	—	1,897.0	1,137.5
SPAIN Madrid SE	closed	227.89	177.98
SWEDEN J & P	2,712.30	n/a	2,447.27
SWITZERLAND Swiss Bank Ind	599.30	600.10	552.2

COMMODITIES (London)

	June 18	Prev
Silver (spot fixing)	456.40p	458.30p
Copper (cash)	£970.50	£975.50
Coffee (July)	£1,240.25	£1,266.50
Oil (Brent Blend)	$18.975	$18.925

GOLD ($/oz)

	June 18	Prev
London	$451.25	$452.25
Zürich	$451.95	$451.25
Paris (fixing)	$449.72	$446.83
Luxembourg	$451.70	$448.25
New York (August)	$455.20*	$451.80

CURRENCIES (London)

	US DOLLAR June 18	US DOLLAR Previous	STERLING June 18	STERLING Previous
$	–	–	1.6295	1.6335
DM	1.8240	1.8265	2.9725	2.9825
Yen	144.60	144.65	235.75	236.25
FFr	6.0900	6.0950	9.9225	9.9550
SFr	1.5155	1.5180	2.4700	2.4800
Fl	2.0550	2.0580	3.3475	3.3575
Lira	1,319	1,319	2,149	2,154.5
BFr	37.80	37.85	61.50	61.85
C$	1.3415	1.3405	2.1865	2.1895

INTEREST RATES

	June 18	Prev
Euro-currencies (3-month offered rate)		
£	8 15/16	8⅞
SFr	4⅛	4⅛
DM	3⅝	3⅝
FFr	8⅜	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	7 1/16	7 1/16
6-month US$	7⅛	7⅛
US Fed Funds	6 13/16*	6⅞
US3-month CDs	6.80*	6.80
US3-month T-bills	5.83*	5.85

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June 18				
(June)	93-16	94-07	93-09	94-01
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.90	93.92	93.86	93.95
Certificates of Deposit (IMM) $1m points of 100%				
(June)	n/a	n/a	n/a	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.55	92.59	92.53	92.57
20-year Notional Gilt £50,000 32nds of 100%				
(June)	125-19	126-27	125-19	126-27

US BONDS

Treasury

	June 18 Price	June 18 Yield	Prev Price	Prev Yield
7¼ 1989	101 5/32	7.397	101 7/32	7.38
7 1994	94 8/32	8.10	94 15/32	8.05
8½ 1997	101 17/32	8.26	101 26/32	8.22
8¾ 2017	103 5/32	8.457	103 26/32	8.41

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	June 18 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.28	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	June 18 Price	June 18 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.17	6.40	93.29	6.35
SCBT South Central 10⅜ Jan 1993	102.875	10.19	103	10.17
Phibro Sal 8 April 1996	92.56	9.25	91.72	9.40
TRW 8⅞ March 1996	97.91	9.10	97.32	9.20
Arco 9⅞ March 2016	103.14	9.55	103.14	9.55
General Motors 8⅜ April 2016	86.07	9.55	86.07	9.55
Citicorp 9⅜ March 2016	93.22	10.10	92.79	10.15

Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

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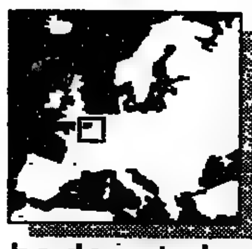
Belgium



The country's economic prospects are looking more promising after several trying years, though more has still to be done to improve the trading position and public sector deficit. Divisions between the country's two language groups—in part the product of differences in economic performance of the regions concerned—remain difficult to resolve. **Tim Dickson** reports.

Nation seeking its identity

Wilfried Martens: determined to stay the course until the next elections

ONCE THE undisputed "sick patient" of Europe, Belgium's economic prospects are suddenly perking up. Rising exports, rosy company profits, declining public sector debt—these are just some of the signs that five years of harsh government medicine are starting to have their effect.

Unfortunately for Belgium, however, the patient's markedly better condition appears threatened by an Achilles' heel. At least twice this year the Centre Right coalition of Mr Wilfried Martens has teetered on the brink of collapse over the country's deep-rooted language dispute, or, more precisely, over the apparently trivial question of how to deal with a defiantly francophone mayor.

Only last month, for example, Mr Martens suffered the humiliation of three times having to delay his departure for what should have been a prestige trip to the US in his capacity as president of the European Council of Ministers in order to negotiate a new compromise on this most divisive of Belgium's domestic issues.

The case of Mr Jose Happart—a militant French-speaker who refuses to use Dutch—goes well beyond the immediate confines of Les Fourons (or Voeren), the tiny administrative district in the north-east of the country where the drama has been played out.

It reflects much wider tensions between the Flemish-speaking people of Flanders and the French-speaking community in Wallonia, calls into doubt the success of recent constitutional reforms designed to recognise these differences, and even raises fundamental questions about the longer-term viability of the Belgian state.

Casual visitors to the institutions of the European Community in Brussels are mostly unaware that Belgium beyond the Berlaymont building is a complex society struggling to find its identity in the modern world. Part of the problem lies in the fact that it is a relatively young nation—just over 150 years old—but its political difficulties and unpredictability can often be better understood in the context of the overlapping social and cultural divisions of its people.

There is, for example, the traditional division familiar elsewhere between the political Left and Right, epitomised at the moment by the budget-cutting enthusiasm of the two Liberal parties, on the one hand, and the more expansionist philosophies of the two socialist parties, on the other. Arguably, this is the least significant distinction in Belgian political life at the moment.

Another important reality is the gulf between largely Roman Catholic Christian population and non-Christians, illustrated at present by party attitudes to a controversial Bill proposing a liberalisation of the law on abortion. Ireland apart, Belgium is the only EC state which currently prohibits the voluntary interruption of pregnancy—a ban enshrined in a mid-19th century code which itself was directly based on Napoleonic law.

On the abortion issue the Liberals and the Socialists are on the same side but Flemish-speaking Christian Democratic Party (CVP) and, to a lesser extent, its French-speaking "sister" party in Wallonia (the PSC)—on economic policy broadly middle-of-the-road are resolutely opposed to any change in the current rules.

Education and labour relations are other political issues which often reflect religious splits—the trade unions, for example, are divided four ways, not only into Flemish and Walloon organisations on a north-south basis, but into Christian and Socialist blocs within the two regions.

It is, however, the language or "community" question which represents Belgium's most serious political challenge.

More recently, it has become an increasingly explosive mixture of both cultural and political attitudes which have grown sharper during the painful period of economic adjustment which all European countries have suffered since the Second World War.

Tensions have been exacerbated over this time by relative economic decline in the south of the country and the advent of unprecedented prosperity in the north. In the early 1900s Flanders was a poor and largely rural area with its industry mostly centralised in the textile manufacturing region around Ghent.

In the past 25 years, however, its access to seaports, its adaptable workforce, and its privileged geographical position have provided the ideal springboard for attracting new high technology businesses, epitomised by the success of the giant international trade fair, Flanders Technology.

Wallonia, by contrast, saddled with traditional coal, steel and heavy engineering industries, has suffered from worse unemployment, and inevitably, perhaps, has reacted more slowly to structural and technological change. Regional growth comparisons are often contested with the same passion as other more obvious political issues, but it is generally accepted that Flanders "overtook" Wallonia in terms of GDP per head at some point in the mid-1960s.

Many francophone politicians—notably Mr Guy Spitaels, leader of the French-speaking Socialists—blame Flemish aggression or "colonialism" for the region's current economic ills, though to be fair to Wallonia one must not forget the efforts spearheaded by Mr Melchior Wathelet, president of the regional executive, to encourage new technologies and notably new bio-technology companies.

This does not always impress the other side, and, while Mr Gaston Geens, Mr Wathelet's opposite number in Flanders, has recently responded to the latter's overtures for more co-operation, he has also talked dismissively of a "two-speed" Belgian economy. Flemish resentment is based on years of being the "underdog" and often focuses on the fact that calls for more Walloon autonomy are frequently accompanied by demands for a larger share of the national cake.

Against this background, Belgium is governed on the basis of an uneasy compromise between national and regional responsibilities laid out in the 1980 constitutional reforms. Central government was initially to look after the five "problem" sectors of steel, coal, ship-building, textiles and glass, but economic power for much of the rest is devolved to the three regional executives. (Brussels is a separate bilingual region under the direct control of central government.)

Notwithstanding the constant undercurrent, the 21-month-old administration of Mr Martens—known locally as Martens VI—has successfully continued the work of his previous coalition in rebuilding the country's international competitiveness thrown away in a rash of high spending in the 1970s and early 1980s.

Most of the economic indicators—inflation, balance of payments, labour costs in proportion to national income—are pointing in the right direction, but even the Government's most ardent admirers admit that there is still some way to go.

Not the least of Belgium's achievements is to have pushed ahead with its budget-cutting policies, while by and large maintaining the country's famed social consensus. A year ago, industrial unrest was a dominant feature of the political scene, but though this month's call for a one-day stoppage by public-sector unions may presage a new period of discontent, the past few months have been free of major strikes.

The two biggest structural problems are the level of public indebtedness—in spite of the cuts the budget deficit is still twice the EC average—and high rates of personal tax. Social security contributions (employers and employees) account for 40 to 50 per cent of the gross wage, while even a middle-ranking executive pays tax at 60 per cent. Belgium is second only to Sweden in the European tax league.

The challenge for the Government is how to reconcile the conflicting objectives of at once reducing these twin pressures of high public debt and high taxation. That is, if it can first shake off the political paralysis which appears to have set in as a result of the language dispute.

Mr Martens has signalled his determination to stay the course until the next scheduled elections in the autumn of 1989 and, given his remarkable record for survival, it would be foolish to bet against him.

To stay in power, however, he will have to inject new life into the occasionally weary-looking coalition partners and convince them that language questions (sometimes used as a deliberate distraction for avoiding other pressing problems) should return to the back burner.

The economy

Recovery still the goal

IT HAS BEEN five years' hard labour for the Belgian economy, and the end is not yet in sight.

To be sure, much has been achieved in those five years, since the devaluation of the Belgian franc on February 22 1982, and the launch of a long-term austerity programme by the Martens Government to purge the ailing economy.

The current account of the balance of payments has been transformed, from a deficit amounting to 4.5 per cent of gross national product to a surplus of some 2.5 per cent, or BFr 140bn, last year. *Inflation has* been slashed from a consumer price rise of 8.4 per cent to just 1.3 per cent in 1986.

The chronic public sector borrowing requirement—16.4 per cent of GNP in 1981—was down to 10.6 per cent by 1986, and is supposed to come down again to just 8 per cent by the end of the year. Prolonged negotiations between the members of the four-party coalition last year resulted in agreement on a BFr 195bn package of *further cuts up to 1989, reducing* the budget deficit to just 7 per cent of GNP next year.

Unemployment remains stubbornly high, as in the rest of the European Community, but still came down from a high of 14.4 per cent in 1984 to 12.6 per cent last year.

Profitability in the private sector has recovered remarkably, largely because of wage restraint in 1982-83, specific government transfers and incentives, and the energy-related improvement in the terms of trade for exporters since 1985. Manufacturing investment has picked up, with a 14 per cent volume increase in 1986, and a further 10 per cent forecast by the National Bank of Belgium for the current year.

But all is not yet well, in spite of ominous sounds of complacency emerging from some quarters of the Government. The recovery of corporate investment is still far short of the level of investable corporate income, in spite of the interest on government debt having finally fallen below the rate of return on real investment since 1985. *A continuing* heavy net outflow of capital, both from Belgian companies seeking investment abroad, and foreign companies repatriating profits, has been a major factor.

"The challenge of economic policy is to further a continuing recovery of investment, which is still far from complete," the International Monetary Fund concluded in its annual consultation in March. "The external current account surplus, the overall financial surplus of the private sector, and the sluggish employment response, all have a common root in the insufficient level of business investment." At an overall level of 8.5 per *cent of GNP, it is still two points* below the standard of the early 1970s.

The improvement in the current account does not reflect any sharp improvement in Belgium's competitiveness—the catchword of the austerity programme. Rather, the current account owes more to sluggish growth of imports because of lack of demand.

Belgium has lost export market share—measured by the rate of growth of its exports against the rate of growth of imports in its major trading partners—in every year since 1982.

One factor has been the renewed strength of the Belgian franc in the European Monetary System, against the steadily weakening dollar and sterling.

In absolute terms, Belgium's hourly wage costs measured in Ecus are still second only to West Germany in the EC this year. Ecu 13.17, against a German figure of Ecu 15.44, with the Netherlands on Ecu 12.63 and Italy on Ecu 12.01.

The public sector deficit is also far from resolved. In the first place, the effects of last year's Val Duchesse agreement have been slow to work their way through. Few of last year's BFr 20bn savings were realised, and this year economists expect the outcome to be a deficit of BFr 440bn to BFr 460bn, rather than the BFr 420bn forecast by Mr Guy Verhofstadt, the young and determined Budget Minister.

The absolute level of the public debt still stands at 120 per cent of GNP, and even with a 7 per cent deficit next year, the interest burden will still rise sharply.

"The Government has reduced the absolute level of its *spending, but not its rate of growth*," says Mr Luc van Heden, economist with Kredietbank. "That is still growing faster than the tax base, which means that the deficit will grow as large again."

The IMF was also severe on the subject: "With lower inflation, the stabilisation of the debt to GNP ratio requires a much lower deficit than the 7 per cent target stipulated for 1989 in the government agreement," it said.

"The most that can be afforded over the next few years is a zero growth of real non-interest expenditure of general government ... substantial progress in stabilising the debt to GNP ratio is necessary before any relaxation of the aggregate burden of taxes and social security contributions ... can be sustained."

"Belgium had a deficit problem even in the golden years of the 1960s," Mr van Heden says. "The whole economy is built on that deficit." The very high level of government spending—60 per cent of GNP, or some BFr 3,000bn out of BFr 5,000bn, the highest in Europe—is partly a reflection of the need to balance any spending in one linguistic area, say Wallonia, with matching finance in the other, Flanders.

Nor does the system lend itself to switching finance from one sector to another, in response to demographic trends or social demands.

Against this difficult background, the pressure is building up—both within the Government and from the private sector—for a long-needed tax overhaul. Indeed, the complex and burdensome taxation system is undoubtedly another key factor *in the lack of competitiveness of* Belgian industry.

Mr Martens himself is determined to press ahead with his programme, whatever the difficulties. That includes tax reforms, even if his advisers are cautious about whether he has the room for them.

He pinpoints another potential problem, in the lack of skilled labour not only in high technology sectors, but often in traditional sectors such as textiles and construction, too. More than 70 per cent of those wholly unemployed are unskilled.

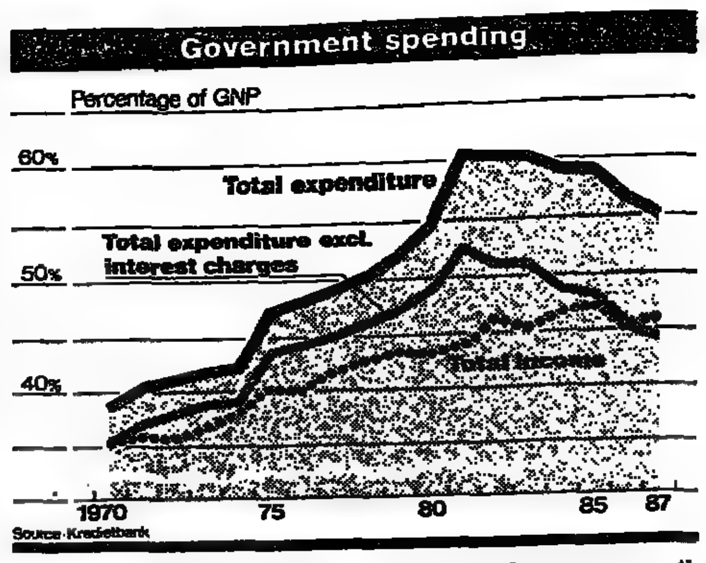
"We have to change and adapt our educational system," he admits.

Another reason for the slower than desirable recovery of private sector investment is the expectation that the government spending cuts resulting from Val Duchesse will slow down the growth of domestic demand. Private incomes, as opposed to corporate revenues, have been under pressure because of slow wage growth and government lay-offs.

Mr Martens will not commit himself to another round of government spending cuts, as the IMF suggests—but he is determined to press ahead with the planned tax reforms. According to Mr Mark Eyskens, the Minister of Finance, the total package would total some BFr 100bn.

The plan is to introduce the first cuts in pay-as-you-earn taxation from January 1989, with full effects coming in only from 1990—the first year after the next election is due.

Quentin Peel



Profile: Wilfried Martens

Understanding the people

MRS MARGARET THATCHER apart, Mr Wilfried Martens is Europe's longest serving Prime Minister. Except for a brief spell in 1982 this shrewd and determined Flemish lawyer has held power continuously in Belgium for the last eight years and has firmly established himself in that period as the *country's dominant political* figure.

Comparisons with Britain's "Iron Lady" are generally wide of the mark but publicity over Mr Martens' metal heart valves - implanted during a delicate operation—have helped by many accounts to establish the remarkably wide popularity with political friend and foe which he enjoys today.

He is not a charismatic man—his thick spectacles and gentle smile present a slightly donnish look—but he has a clear sympathy and understanding for the Belgian people as well as a number of well publicised and endearing personal qualities.

His recreations include cycling, swimming, listening to Bach and reading political biography.

The big question now is how much longer Mr Martens remains at the top. He *himself* refuses to accept the conventional political wisdom in Brussels that fresh elections are inevitable by the end of this year and claims to be as eager as ever to pursue his economic recovery programme right up to the end *of the Government's allotted* term in autumn 1989.

"I think that the political will exists for us to continue our job on the economic and budgetary *fronts*", *he says, maintaining* that the desire of the coalition partners to tackle these pri-orities is stronger than their interminable and well publi*cised disagreements over the* language issue.

If the Belgian Prime Minister is confident about his immediate political future, he hints *strongly that sooner or later he* would relish a change of scene.

"I think each political man needs a period of reflection after a long period of power. I would normally have a political life up to the age of 65 so there is quite some time to go", he says, implying that the end of the Martens era is far from nigh.

The Prime Minister makes no secret of the fact that he would be tempted by a role in European politics and indeed many in Brussels feel that he would make a *good* Commissioner or might conceivably even be a candidate to succeed the current Commission President Mr Jacques Delors.

As one senior political ally in the Flemish Christian Democratic Party observes, "He has a strong notion of playing an important role in Belgian history and I think he would like to do the same in a European context."

In the meantime there is no shortage of domestic preoccupations. Mr Martens sees no immediate solution to the language dispute but *believes that the problem can be sorted out over the longer* term in the context of further institutional reform.

"I am convinced that we have *to give more* responsibility to the regions. I am not sure that we can solve this issue purely by new linguistic legislation."

Asked about economic priori*ties, Mr Martens believes there* is a real chance to claw back the budget deficit this year to the target figure of 8 per cent of GDP and 7 per cent by 1989.

He draws considerable satisfaction from the recent improvement in company profits—"they once again represent the same proportion of national *income as they did in 1974*"—but he can find no reason in the absence of strikes and with social stability why companies are not investing.

Like most other European countries he attaches increasing importance to services but he is just as concerned about manufacturing. He is clearly worried *about the lack of skills* in traditional industries like textiles and construction—"too many people are thinking about general studies such as law and medicine."

Tim Dickson

Foreign Investment

A new bid to win financial services

IS BELGIUM a good location for foreign investment? In the 1950s and 1960s as overseas companies—notably US multinationals—poured into the country to acquire a foothold in the newly established Common Market the answer to this question was an unequivocal Yes.

In the 1970s the enthusiasm of foreign enterprises waned when high labour costs, penal taxes and other structural weaknesses overtook the Belgian economy. According to a survey published last year by the American Chamber of Commerce, for example, more than 100 US companies "disinvested" during the decade, compared with just 7 between 1960 and 1969.

But in the second half of the 1980s—even if Belgium's competitiveness is not yet restored—the country in one important and largely unsung respect is fighting back through unique legislation to entice the financial and administrative activities of large corporations.

Interest in these so-called co-ordination centres—which must confine themselves to a range of inter-group services—has been slow to pick up in spite of the generous tax incentives first introduced under Royal Decree 187 of 30 December 1982 (but subsequently amended in 1984).

But in the last year or so the signs are that attitudes are changing. At the latest count, approval had been granted to 150 centres, among them household names like General Motors, Dow Chemical and Siemens, and the evidence is that foreign companies generally, and US multinationals in particular, are beginning to appreciate the undoubted advantages.

The co-ordination centre initiative is one of the more imaginative attempts to establish Belgium as an attractive environment for financial services. The country's central location and productive workforce remain not insignificant magnets for manufacturers, but labour costs, administrative burdens and high personal taxation have tarnished a once shiny image, on top of which competition from other regions for internationally mobile investment has become increasingly intense.

One illustration of this, arguably, lies in the fact that Belgium's special employment zones (known as T-zones), which offer a range of generous incentives including no company tax for 10 years and exemption from rates and capital registration fees, and which like the co-ordination centres were first conceived in 1982, has so far met with little foreign interest.

By contrast, as one non-Belgian lawyer observes, "the co-ordination centre legislation is so attractive that it almost sells itself." To qualify for what, in effect, is a nominal corporation tax regime, plus the other tax concessions the centre's activities must be *inter muros*, that is to say performed solely for the benefit of other related companies in the group.

Such activities can broadly be divided into two categories—support services offered directly to group members such as advertising and sales promotion, and services provided indirectly through intercompany transactions. The latter category represents the most original feature of the Belgian legislation and has been the focus of the greatest interest for multinationals, according to Mr Patrick Kelley of the American Chamber.

"The legislation enables them to carry out a variety of centralised financing operations in a favourable tax climate and take advantage of Belgium's wide network of double taxation treaties as well as its respected position as a member of good standing in the European Community." The point about Belgium's position in the EC is significant because it represents a major advantage for companies over out and out tax havens such as Panama and Liechtenstein.

Employees already serving with a Belgian company have frequently been transferred to a new co-ordination centre but either the previous company or the centre has to hire additional staff to meet the requirements of a net increase of 10 new jobs.

KEY FEATURES OF A CO-ORDINATION CENTRE

Conditions. Must be incorporated either as a Belgian company or the Belgian branch of a foreign company.

Consolidated capital and reserve must exceed BFr1bn and annual turnover must exceed BFr10bn.

Must employ at least 10 full time employees within two years.

Qualifying activities. Reinvoicing. The centre may not actually buy and sell itself but it may reinvoice the goods sold by one member group. (The main aim might be to finance the sale of goods, and centralisation, or reduction, of foreign exchange risks through invoicing in the respective currencies of buyer and seller).

Factoring (for similar objectives).

Accounting, administration and data processing activities.

Advertising, insurance and re-insurance, scientific research, relations with national and international authorities and other activities having a preparatory or auxiliary nature.

Tax status. Corporation tax paid for ten years on a cost plus basis—tax base includes all interest and operating expenses except for personnel and finacial costs. Exemption from real estate tax, Belgian withholding taxes, and 0.5 per cent capital duty.

Tim Dickson

A select field

FOREIGN INVESTORS in Belgium tend to stick to a small number of publicly quoted stocks—after all, 90 per cent of the capitalisation of the Bourse is represented by just 50 companies, of which only 10 to 15 are truly liquid by international standards. Among the most popular are Petrofina, the oil exploration group, and Solvay, the giant chemical concern, but the major holding companies and utilities—both peculiarly Belgian in character—are also actively traded.

The biggest holding company is Societe Generale de Belgique which, with a finger in just about every significant local pie, represents effectively an investment in Belgium itself. Under new management "Soc Gen" has been trying (so far with only limited success) to emulate the performance of Groupe Bruxelles Lambert, a company which has sparked to life under the energetic leadership of Mr Albert Frere and Mr Gerard Eskenazi.

Belgian utilities, meanwhile, continue to attract attention for their yields—among the highest in Europe.

Tim Dickson

Stock Market

Pressures for change mount as free internal market looms

THE SOUNDS of Big Bang echoed round Brussels in February this year. Newly aggressive London investment houses—spurred on by changes in the UK securities industry which came to a head last October—suddenly alighted on Belgium as a market with untapped potential and share prices fundamentally undervalued in relation to stock exchanges elsewhere.

"There was a major shortage of paper, few Belgian sellers, and the result was that some stocks jumped 10 to 15 per cent in a matter of weeks," recalls Andre Beier, of stockbrokers Dewaay, Sebille, Servais, who says that 90 per cent of all the firm's "institutional" transactions this year have been conducted by foreign clients.

For the time being the frenzy seems to have passed and the Belgian Bourse—still up between 3½ and 4 times since the present bull market began in 1982—has since drifted from its earlier peak. The strength of this year's foreign invasion, nevertheless, widened interest in what remains a relatively parochial European Bourse and has underlined important questions about the direction of its long-term development.

Until the early 1980s the Brussels Bourse was an unexciting place to say the least. Between 1963 and 1981 share prices fell 25 per cent in nominal terms alone, turnover grew slowly if at all, and new issues were as rare as swallows in spring. The change occurred in 1982 when the centre-right coalition of Mr Wilfried Martens first started to reverse the spendthrift policies of the 1970s. Interest rates came down and corporate profitability moved up. More particularly, Royal Decree Number 15 introduced tax incentives for companies raising new capital plus concessions for individuals subscribing for Belgian equities up to a certain limit (known locally as the De Clercq Law, or the Loi Monory after the similar French scheme of that name).

The result was that the Belgian Stock Market once again began to perform the role of replenishing the capital base of local companies. Some BFr 84.7bn for example, was raised in 1982 and 1983 alone (compared with almost nothing in 1981), more modest amounts followed in 1984 and 1985 but there was another significant upsurge last year when the total was BFr 44bn (including two Euroequity issues).

The new climate has encouraged public offerings so far in 1987 from Glaverbel, the glass manufacturers, Raffinerie Tirlemontoise, the family-controlled sugar producing group and Barco Electronic, an associate company of Barco Industries which was introduced on the bourse last year.

Assubel, the insurance concern, was scheduled for a listing in the spring but in view of the activity in the insurance sector sparked off by the battle for Royale Belge this has been delayed until later in the year.

Notwithstanding the gusty currents of change blowing through stock markets elsewhere and the sharper interest of foreign and domestic investors which has accompanied the healty performance of local shares, the Brussels Bourse carries on largely as before.

By local standards there are just two large firms—Dewaay and Peterbroeck, van Campenhout—with the small size of most partnerships illustrated by the fact that at the last count there were 200 firms and 317 individual stockbrokers.

"Many still write their orders out by hand with their wife acting as the secretarial back up," one banker comments somewhat sniffly.

Taking their cue from developments in London, Belgium banks are increasingly eager to cash in on Stock Exchange business but are prevented both by law and by the hostility of a part of the stockbroking community from taking positions in member firms.

All transactions under BFr 10m must be executed through a stockbroker on the basis of minimum fixed commissions though above this limit banks and others are not obliged to go through the market and can freely negotiate fees.

"That is why it is not fair to say that we operate a monopoly as used to exist in the UK," says Mr Jean Peterbroeck, senior partner of the firm which bears his name and a president of the Commission de la Bourse.

Mr Peterbroeck is conscious of the impending 1992 deadline, by when the creation of a genuine barrier free internal European market is supposed to be complete. "We have to be ready to compete", he says, "but I don't see what the entrance of the banks into stockbroking firms will bring to the market. The only reason they are interested is fashion. If you make a deal you have to bring something new to the table, and our firm for one has enough capital."

He adds: "We are pursuing very rapidly the modernisation of the market: most of our orders are now computerised and the big challenge ahead is to set up a continuous trading system which will give up-to-the- minute information on price."

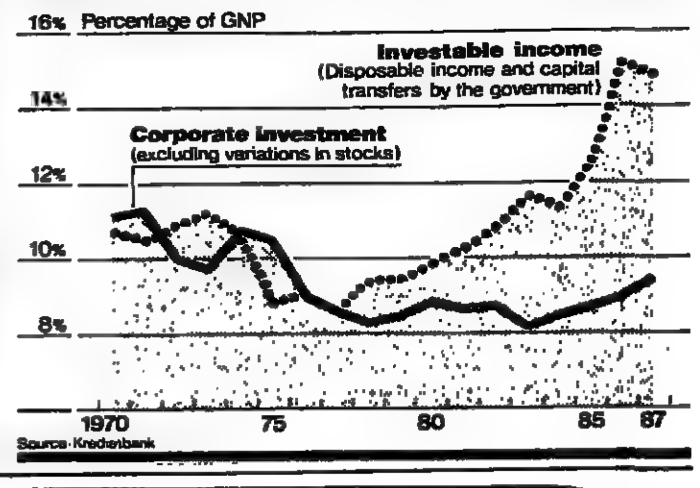
Bankers tend to see things rather differently. They argue that breaking up the stock exchange monopoly is a necessary precondition of a bigger and more influential market. "At the moment we have to give brokers 60 per cent of the commission when we execute orders for clients," says one. "Yet about 90 per cent of all stock exchange orders come through the banks."

"We are clearly interested in having a share of the business but the point is that if we can't reach agreement with the stockbrokers in the next few years we can always take our trade to other financial centres."

The Association of Belgian Banks at least sympathises with Mr Petabroeck's lament at the "burden" of Belgian stamp duty. He blames the tax for the loss of local business (notably Eurobond issues) to London and Luxembourg.

Finance Minister Mr Mark Eyskens has proposed an amendment which would exempt non-residents, which Mr Petabroeck welcomes as at least "a step in the right direction". But Mr Petabroeck also attacks Belgium's withholding tax "not in itself because I think that capital must share in the burdens of the state," but because such taxes are not as high elsewhere.

Corporate income and investment



Source: Kredietbank

Socialist parties

Eye on coalition chances

BELGIUM'S Socialists have been in opposition for 6½ years now—much their longest spell out of power since the Second World War. For most of the intervening period, they had shared in the governing coalition, usually with the Christian parties, less often with the Liberals, occasionally in so-called "tripartite" governments which have accommodated all three groupings.

At the last general election, in October 1985, the Socialists gained ground—both in Flanders and Wallonia (where they are by far the largest party)—but far from being welcomed back into the national government they were promptly ejected from both the regional administrations set up under the 1980 devolution plan.

Later, they were even squeezed out of the executive council of the tiny German-speaking autonomous area in eastern Belgium.

Stripping the Socialists of all responsibility, both nationally and locally, could have been a sure recipe for driving them into the hands of extremists. Instead, the two parties—the Parti Socialiste (PS) in Wallonia and the Socialistische Partij (SP) in Flanders have progressively moderated their policies so that there would now be little difficulty in their finding common ground with potential coalition partners.

Karel Van Miert: popular orator

As tension mounts between the Liberals and Christians, both of the party leaders, Guy Spitaels (PS) and Karel Van Miert (SP) are carefully positioning themselves to align with either wing of the present coalition if it should break up.

They are an ill-assorted pair. Mr Van Miert, 45, is a relaxed, friendly man, who normally favours a sports jacket rather than a suit. Like Neil Kinnock, whom he resembles in other ways, he has never held ministerial office. He is warm, impulsive and ready to give his views on any conceivable subject. A born orator, he is widely popular in his native Flanders.

Mr Spitaels, 11 years older, is a solemn professor of sociology who never says anything without weighing the consequences. A former vice-premier and Budget Minister, he takes pride in the fact that as Mayor of Ath, a town south-west of Brussels, since 1977, he has invariably succeeded in balancing the municipal budget, a rare event in Belgium.

The two men have offices on the same floor of the building which their parties have shared since the 1978 divorce which split a formerly bilingual party into two separate bodies.

For several years their relationship was far from smooth. Mr Spitaels was angry when Mr Van Miert did not support his demands for more financial assistance for the hard-pressed Walloon steel industry. Mr Van Miert reacted badly when Spitaels sponsored the controversial Mayor of the Fourons, José Happart, for a seat in the European Parliament.

In turn, Mr Spitaels was far from happy when the Flemish Socialists made opposition to American missiles the main plank in their platform. It seemed doubtful whether the two parties would be able to work with each other in government, let alone with other coalition partners.

Yet since the disappointments after the 1985 election, a *rapprochement* has occurred. In February last year, Mr Spitaels went to Ghent to speak to a meeting of Flemish Socialists, the first time he had entered Flanders in five years as party leader. A suggestion that the two parties should establish a joint "Shadow Cabinet" on the British model was not taken up, but since then there have been informal talks on policy co-ordination and a joint conference was held in Brussels in April.

As both parties have moderated their policies to make themselves more "coalitionable", they have simultaneously drawn closer together. They are still wide apart on most linguistic issues, but the discord between them is now clearly less than, for example, between the two Christian parties.

The most spectacular policy shift has been made by the PS, which had bitterly criticised the present government's austerity policies. Last September, however, Mr Spitaels launched *his own Counter-Plan* for public expenditure cuts totalling BFr120bn against the Martens government's target of BFr195bn.

Mr Spitaels was careful to exclude the more controversial cuts in the government's plan, but there was a fair degree of overlap, and the evident purpose was to present the PS as a realistic and responsible party capable of demanding necessary sacrifices.

Earlier Mr Spitaels had taken a fairly extreme pro-Francophone line in linguistic disputes in a successful attempt to avoid being outflanked by the separatist Rassemblement Walloon party. Since this party was wound up two years ago, he has been notably more accommodating, and his support for Happart has been more guarded.

Mr Van Miert's party has responded by indicating that it would regard all linguistic issues as negotiable in governmental negotiations, a distinct advance on its earlier position.

Within his party, Mr Van Miert is credited with having

Guy Spitaels: balancing the budget

made a decisive shift to the right by loosening his close ties with Louis Tobback, the party's fiery left-wing parliamentary floor leader, and aligning himself with the former Economics Minister, Willy Claes, the party's most prominent social democrat.

Mr Van Miert's hostility to American missile bases in Belgium is no longer seen by him, or by others, as a bar to his party's participation in government. Virtually all of Belgium's politicians confidently expect that they will soon be negotiated away at the Geneva arms talks.

Both Socialist leaders are careful to keep their options open, and neither is prepared to express a preference between the Christians and the Liberals as governmental partners.

The mutual antipathy between Mr Spitaels and Wilfried Martens would almost certainly exclude the latter from continuing as Prime Minister in the event of a deal, but another Flemish Christian Democrat—possibly Jean-Luc Dehaene, the Health Minister—would probably replace him.

In a Socialist-Liberal coalition, the Socialists would most likely provide the premier, which could well be Mr Spitaels, who would be leader of the largest party. Mr Van Miert has ruled himself out, but if his party was called upon to fill the top place its nominee would undoubtedly be Mr Claes.

Socialist participation in government could be expected to be reflected in some dilution of the current austerity programme. But the present government is showing increasing reluctance to proceed much further along this road, and it would be surprising if their inclusion were to make a decisive difference.

Dick Leonard

Coal industry

Closures bring a future

IT IS NOT EASY by anybody's standards to persuade 10,000 angry coal miners to sign for voluntary redundancy—especially when they live in a province where, at 20 per cent, the unemployment rate is Belgium's highest.

Yet, that is just what Mr Thyl Gheyselinck has done, less than a year after being recruited by the Belgian government to thrash out a future for the nation's five heavily loss-making coal mines in the poor area of Limbourg in eastern Flanders.

That grim achievement does not give much personal pleasure to Mr Gheyselinck, 45, who gave up a comfortable job as managing director of Shell Portugal to take on what must be one of the toughest jobs in the Europen coal industry. "I didn't come here just to destroy things," he says.

But the fact is that he has done at a stroke what more than 20 years of fudging and indecision by successive Belgian governments have failed to achieve, namely to make progress towards stemming the mounting losses—running at BFr15bn (£250m) last year—that have plagued a national coal industry which, on purely economic grounds, *has no reason to exist*.

Like many of its European counterparts, the Belgian coal mining industry has seen its competitiveness wiped out by the growth in cheaper sources of energy and the decline in oil prices. And with a steady annual production of around 6m tonnes, it has one of the lowest levels of output per man in Europe.

Partly because of the grave social problems that surround it, coal is the last of Belgium's five so-called national sectors to come in for restructuring. These are the troubled traditional industries which have been left out of Belgium's regionalisation and have been accorded central government funding. They include steel (where Cockerill Sambre in the French-speaking Wallonian south of the country is now tentatively groping towards profitability), glass, textiles, and shipbuilding.

The acceptance of Mr Gheyselinck's redundancy plan by the understandably fearful and belligerent workforce of the Kempense Steenkolenmijnen (KS) group is an example of how an uncompromising management approach can sometimes persuade workers, against all the odds, of the *futility* of hanging on to jobs in an industry with little future.

The Dutch-speaking north of Belgium has always complained that it has come in for less regional aid than the French-speaking south, the prime example being the BFr146bn which the national government has spent on Cockerill Sambre over the past 10 years. That is why rumours early last year that KS was having second thoughts over funding a new mine shaft in Limbourg sparked off a wave of strikes and demonstrations in the province.

These were ended only when Mr Wilfried Martens, the Prime Minister, made a twin public pledge that any future restructuring would be done without compulsory dismissals and that a new manager would be found before the end of the year to propose a restructuring plan.

Mr Gheyselinck, the government's second choice after an abortive attempt to recruit Renault's Belgian commercial director, maintains that he accepted the offer because the sheer size of the challenge. "On economic grounds, there was no case for producing one tonne of coal, yet the word closure was taboo," he recalls.

"There was no correct solution," says Mr Gheyselinck. In the end, he proposed a scheme *designed to support in more or less equal measure* the state's economic interests, and protect the 20,000 workers and the 10,000 people whose jobs indirectly depended on the mines.

Closures, he argued, were inevitable. "Even if we tried to be as efficient as possible, without closures we might be lucky to cut the 1987 loss from BFr16bn—BFr18bn to something like BFr14bn," he says.

Under Mr Gheyselinck's plan, the three mines in the east of the province would be closed and the remaining two, in the west, merged at a total cost of BFr 28bn. That would be enough to reduce losses to what Mr Gheyselinck and the government agree is a "maximum acceptable level" of BFr 4bn by 1996.

The deficit would fall in steps, producing an overall loss for the period of BFr 65bn. Add in another BFr 6bn for maintenance and new investment, and the overall total comes to BFr 99bn. The subtlety of the scheme was that it left the number of job losses open, guaranteed jobs in the west for miners in pits to be closed, and left it up to the unions to decide how to split the BFr 28bn closure costs between operating losses, redundancy payments and investment in new job creation. Clearly, the longer they held on to their jobs, the less cash there would be for redundancy, a brutal but compelling logic.

"As I expected, there was chaos," says Mr Gheyselinck. "After 20 years of promises and a remarkable lack of being told the truth, the workforce had to face up to the fact that mines had to be closed—and I fully sympathised with them." At one stage earlier this year, Mr Gheyselinck could not even visit his office in Limbourg without running the danger of being lynched—and when he did, his car was attacked by 200 furious mineworkers.

"What finally swung it—though it was never certain until the last moment whether or not the miners would accept the package—was probably a further proposal by Mr Gheyselinck for levels of compensation unheard of in Belgium, though of course within the BFr 28bn limit for overall closure costs.

He offered miners up to BFr 120,000 annually—dependent on certain conditions—on top of basic EC redundancy pay if they volunteered for redundancy and gave him the choice of the exact timing of their departure, with a *slightly lower offer* for workers who wanted to decide when to leave themselves.

"*Everybody* knew that they could reject the offer and that the plan would therefore fail. But they also knew they were being offered more than ever before," he explains. By the April 28 deadline for a decision by the miners, just short of 10,000 employees, around half the total volunteered to accept.

Mr Gheyselinck is now in the process of working out how to implement the plan, now that it appears to have got over its key social and political hurdle. He expects to announce details next month for the closure of a first mine in September, followed by a second next January, with the final shutdown some time next summer.

The first indications are that between BFr 3bn and BFr 6bn will be available for new investment in job creation, to which the Flemish government and local authorities have promised to add BFr 2bn. The key question is whether that will be enough to recreate those 10,000 jobs.

William Dawkins

Profile: Philippe Bodson

The modern manager

PHILIPPE BODSON has had a busy year.

In March the 43-year-old managing director of Glaverbel led his glass company to a highly successful stock exchange flotation (more than 100 times over-subscribed and bags of publicity into the bargain); then just four weeks later, he took over the reins from Andre Leysen as president of the Federation des Enterprises de Belgique (FEB), the *country's leading* employers' organisation and local equivalent of Britain's CBI.

Young, enthusiastic and keenly communicative Mr Bodson is certainly not typical of the men who sometimes head such groups. A civil engineer with an MBA from Insead, his modern management style is appropriate at a time when Belgium like most other European countries *is looking* to a rejuvenated business sector to *survive and compete* in the hard and increasingly fast moving markets of the late 1980s.

His determination to master the Flemish language as well as his native French—he is known to practise each day—is typical in the Belgian context of a more enlightened approach.

Mr Bodson is convinced that there has been a radical transformation of industrial and commercial attitudes and performance over the last five years—but he is no starry eyed optimist. He insists that business must adapt better to the challenge of change, that the Government's austerity drive must continue, and that something urgently must be done to *reduce the intolerable burden* of personal taxation.

The FEB, which claims to represent more than 90 per cent of Belgian companies through affiliated trade associations, *is* strictly "non-political" and Mr Bodson confesses that he has "a hard time identifying myself with any one of the political parties". While this shines through in frustration at the Government's inability to sort out the language dispute—"it is a sad situation in which every*body is right but everybody has* to compromise"—it is nonetheless apparent that he sympathises with the Liberal parties' commitment to deep budgetary cuts.

"A few years ago the total budgetary deficit exceeded 15 per cent of gross national product," he points out. "The aim is to get this back to 8 per cent this year and 7 per cent by 1989, but in view of the drastic fall in inflation and interest rates I do not think this is enough. In order to overcome the so-called "snowball effect" (borrowing simply to pay interest on existing debt) we cannot stop until we get to 4 per cent. It is simple mathematics, not politi*cal conviction. By 1992 when the* European market will be opened up we cannot afford to have a larger deficit than our competitors."

Mr Bodson seems happy enough with Belgium's corporate tax regime — reliefs and incentives introduced over the last few years have significantly eased the burden for companies — but he displays a strong distaste for the country's high levels of personal tax.

Asked whether the objectives *of budget cutting and fiscal* reform are compatible, Mr Bodson says, "I really think we have reached the point where the two must be combined. When the country was running a budget deficit of 15 per cent of GNP, that would have been irresponsible."

On the optimistic side, Mr Bodson is encouraged by the new taste for risk taking — the consequences, he feels, of lower interest rates and a better balance between the return on safe investments and the return from equities; he sees small and *medium sized businesses* as having created most of the 40,000-45,000 new jobs over the past three years and the best hope for the future; and he believes that the Belgian economy is improving its competitiveness. "I can think of lots of multinationals — Caterpillar, Renault, for example — who say that their Belgian plants are the most productive. We are well located. We are certainly a good country to invest in."

Tim Dickson

Profile: Jean Gandois

Strong man of steel

MR JEAN GANDOIS, the tough 57-year-old French industrial troubleshooter, was surprised to find himself earlier this year back in the chair of Cockerill Sambre, the Belgian steel group.

For he had little idea when the Belgian government first summoned him four years ago to engineer a revival for what he then described as one of the worst steel companies in Europe, that he would stay at Cockerill long enough to see his efforts bear fruit.

Last time Mr Gandois took office at Cockerill, the group was right in the middle of a traumatic job reduction plan that has more than halved the workforce from 41,000 in 1974 to fewer than 13,000 today. It was painful, but at least the group had the protection of the system of EC price and output controls which has helped support steel prices since 1980. While the worst of the job losses are over at Cockerill, Mr Gandois believes the industry as a whole still has a very long way to go before it can be anything near profitable.

Now Cockerill and Mr Gandois are in the forefront of the EC steel industry's attempts to persuade the European commission to change its plans to abandon the protection afforded by quotas by the end of this year.

The steel producers' campaign to keep quotas recently ground to a halt owing to the failure of the members of Eurofer, the "club" of big integrated producers of which Cockerill is a member, to agree on *voluntary capacity reductions* large enough to bring the oversupply in line with flagging demand. The Commission estimates that the Community's steelmaking over-capacity currently runs at 25m to 30m tonnes.

To Mr Gandois, the dilemma faced by Cockerill and Eurofer's other 31 members is clear. "Three or four years ago, you had big differences in costs between plants and it was obvious that the older ones should close. Now the differences are very small so it is much more difficult to say which ones should go."

The bulk of Europe's steel over-capacity is in big publicly-owned hot rolled strip mills, like Cockerill's twin plants in Liege and Charleroi, which *makes it difficult to dilute* the impact of job losses. Mr Gandois' preferred solution would be for an industry-wide accord to run at fixed levels of under-capacity. "That means we all have to reduce the level of *utilisation at which we are losing money*," he says.

The formerly heavily loss-making Cockerill has just completed three months of trading at near breakeven point, and according to Mr Gandois should be able to break even for a full year by 1988.

Mr Gandois started his career as a steel executive and became president of Rhone-Poulenc until his resignation in 1982.

The Belgian Government approached him after seeing how he had acted in neighbouring Luxembourg as a consultant for rival steel producer Arbed's restructuring plans.

After setting up a BFr 100bn plan of plant closures and new investment for Cockerill—a politically-sensitive task in view of the notorious regional squabbles which have always divided this fragmented group—the French Government lured Mr Gandois back last July to become chairman and chief executive of Pechiney, the nationalised aluminium and metals group.

William Dawkins

Small businesses

Little enthusiasm for risktaking

IT IS STRANGE but true that Belgium's most powerful small business lobby group is urging the Government to introduce stricter and more numerous *professional regulations*.

This might seem extraordinary at a time when its counterparts in Europe's major economies are pressing hard for not more but less red tape on the grounds that excessive government interference can strangle young companies' growth prospects.

The lobby group, the National Christian Organisation for the Middle Class (NCMV) is pressing for the introduction of professional qualifications (to add to the ones that already exist for 41 activities) for an unlikely sounding range of jobs from computer software development to interior decorating and diamond dealing.

At the source of this apparent oddity is the NCMV's members' desire to protect themselves from competition from unscrupulous newcomers to their industries.

But there are other more revealing reasons behind their campaign—and they go right to *the heart of why the Belgian* small business sector has so far failed to show the startling explosion in growth that has characterised its equivalent in Britain in recent years.

"We are talking about people who want things to go in the future as they have done in the past. They just don't want to grow, because growth is a risky business," explains Professor Rik Donckels, director of Belgium's Small Business Research Institute.

It is no accident in that respect that the NCMV's name has such a bourgeois echo, nor that the sector's affairs are looked after by the aptly named national Ministry of Middle Classes.

As an illustration of Belgian small business caution, a recent survey of 7,700 enterprises showed that more than 85 per cent of the sample were sole traders and partnerships—not a structure easily adapted to growth—and that more than two-thirds of those were shops and restaurants.

The same study showed that only 16 per cent of Belgian start-ups fail in the first year, a superficially encouraging score, but a *bad sign for those who argue*, on the basis of US experience, that a high small business failure rate is a mark of a thriving and inventive entrepreneurial country.

Belgium and the EEC—Industrial Production

(percentage change per year)

	1982	1983	1984	1985	1986
Belgium	—	2.0	2.5	2.5	1.6
Denmark	2.7	3.2	9.7	4.2	3.9
W. Germany	−2.9	0.6	3.0	5.7	2.1
Greece	1.1	−0.1	1.6	3.4	0.3
Spain	−1.1	2.7	0.8	2.2	2.9
France	−0.5	—	2.0	1.0	1.0
Ireland	−0.9	6.6	12.4	2.3	2.7
Italy	−3.0	−3.2	3.4	1.2	2.8
Luxembourg	0.9	5.4	13.3	6.9	—
Netherlands	−4.1	3.2	4.1	4.0	1.0
Portugal	4.6	1.6	−0.1	10.9	—
UK	1.9	3.6	1.3	4.7	1.5
Eur 12	−1.2	0.9	2.2	3.4	2.0
US	−7.4	7.8	12.3	2.1	2.1
Japan	0.3	3.6	11.1	4.6	−0.3

Source: Eurostat.

So it is almost in spite of rather than because of the sector's demands that the ministry, under Mr Jacky Buchmann—himself the owner of a successful small business—is pursuing a red-tape cutting policy and attempting to stimulate enterprise.

Here he has the support of his Flemish speaking Liberal Party in the ruling four-party coalition.

In the near future, it will for example be pumping cash into small business development in Limbourg in an attempt to provide new employment for the 10,000 coal miners to be made redundant there over the next year.

As a mark of their commitment to the sector, central and regional governments have in recent year produced a whole range of small business support measures. The most important include the following:

- **Managed workshops**, where young ventures can obtain space on flexible terms, plus secretarial support and business advice from an experienced *manager on site*. First established two years ago, there are now 13 such business centres in the north of the country in Dutch speaking Flanders—which is aggressively attempting to launch itself as an *entrepreneurial centre—and* just two in the French speaking southern region of Wallonia.

Mr Gaston Geens, the Flemish regional Prime Minister, has pledged to bring the Flemish total to 20 by the end of next year.

- **Soft government loans** for unemployed workers starting out in independent business. Introduced in 1984, this channelled BFr 1.45bn into 3,092 ventures in its first year, rising to BFr 1.8bn for 3,697 businesses in 1985—thus making a big impact on Belgium's annual start-up rate of roughly 40,000 new enterprises a year.

- **Employment grants** under which regional Governments subsidise the wages of unemployed people taken on by small businesses for research and development, energy saving related work or export projects.

Launched in late 1983, this had helped 1,224 ventures pay the salaries of 2,226 staff by the start of this year. A slightly different recruitment related scheme pays the costs incurred by first time employers in finding their first employees. This was followed earlier this year by grants for start-ups looking for the second employees.

- **Significant tax benefits** introduced three years ago for start-ups and their investors so long as the projects concerned exploit innovations in high technology and are incorporated between 1984 and 1993.

But in spite of all this activity, the one key indicator of *entrepreneurial life, the number* of stock market flotations of young companies, has failed to take off to anything like the same extent as in the UK, France or the Netherlands, where small company share markets are the most active in Europe.

The Brussels stock exchange has seen barely more than 10 *flotations* in the past three years, though a mini new issues boom could well double that total in the current 12 months.

Most of those have been larger traditional companies or turnround situations.

Even more sobering, the Brussels stock exchange's junior share market, set up two years ago to encourage more entrepreneurs to cash in on the rewards of their risk taking, has proved a flop. It has attracted just two flotations: Telindus, a telecommunications group and Econocom, a software supplier.

Unlike the full stock market, it sets no strict conditions on the percentage of equity to be offered to the public, though it is estimated that 25 per cent, with a total market capitalisation of *BFr 50m is the minimum*.

Even if the junior market has attracted little initial interest from the small businessman, it has at least set a key precondition for a venture capital industry by opening the possibility *for a means* by which investors in private companies can realise their profits.

Accordingly, recent years have seen the establishment for the first time in Belgium of several private venture capital funds. They include Advent, an offshoot of the UK company of the same name, Benevent, part of Kredietbank, and Prominvest, an arm of Groupe Bruxelles Lambert.

The amount of venture capital available in Belgium grew from Ecu 363.5m (£250.1m) to Ecu 400.1m between 1984 and 1985, according to the European Venture Capital Association.

As is so common in venture capital in Europe, the problem is in finding suitable ventures in which to invest.

Small businessmen complain that they are unable to attract risk investors because few funds can go below BFr 7m to BFr 10m. At that level, the likely reward is too little to justify the amount of management attention small companies will need.

The small business institute's Prof Donckels has a more pessimistic explanation. He claims: "The average small businessman *in Belgium just doesn't* want outside finance because the idea of growth is just too much to handle."

William Dawkins

Language divisions

Cultures at the crossroads

IT IS HARDLY Beirut or West Belfast. A few signposts are defaced and graffiti liberally adorns the more tempting concrete targets. But in other respects this rural and not unattractive corner of North East Belgium—just six villages and 4,000 inhabitants—seems a highly improbable setting for community strife.

The problem of Les Fourons (or Voeren as the area is known in Dutch) has divided Walloon and Flemish politicians since the early 1960s when the last major change to Belgium's linguistic frontier was agreed.

Following the election of Mr Jose Happart as mayor in 1982, this small community has increasingly become the focus of the country's deep-rooted language dispute and on several occasions in the past few months has threatened to bring the coalition Government to its knees.

The immediate difficulty lies in the fact that Mr Happart, a militant Francophone, steadfastly refuses to pass an exam to demonstrate his competence to speak the official local language—Dutch. This has infuriated his Flemish opponents in the province of Limburg (of which Les Fourons is a part) and last September precipitated his dismissal by the Flemish section of the council of State on the grounds that he is challenging the painfully constructed linguistic provisions of the Belgian constitution.

Several times, however, he has effectively been able to circumvent this decision by being re-elected First Alderman of the council and thereby assuming the functions of de facto mayor.

The question of whether the merry-go-round should continue—and if not how legally and constitutionally it can be brought to an end—is essentially the issue which has kept the Government teetering on the brink.

Mr Happart's case—outlined in his surprisingly spartan office in the local "Maison Communale"—is quite simply that the democratic wishes of the local people are being denied. Les Fourons, he explains, was transferred from the Walloon or French-speaking Province of Liege to the Flemish speaking Province of Limburg under the 1963 community agreement "despite a referendum which showed that 90 per cent of the people wanted to stay in Liege."

Jose Happart, mayor at the centre of the language flare-up, sits in the visitors' gallery at a meeting of parliament

Since then, he maintains, "Flemish pressure has become more and more lively and a jurisprudence has been created which is favourable to Flanders. The only language recognised has been Flemish. We have got to go back to Liege because the Flanders region does not respect the wishes of the majority of the Fourons inhabitants."

Ironically, the majority of the people in the Fourons speak neither Flemish nor French but a local dialect closer to German. "This is used by about 60 per cent of the population—mainly the old," Mr Happart admits. "But the fact is that 80 to 90 per cent know French and two thirds want the area to be returned to Liege."

Mr Happart himself confesses to knowing "a little Dutch" and can certainly understand sufficient to read and in his capacity as acting mayor to sign the official documents of the council. He insists that he harbours no personal animosity towards Flemish people—though he and his Flemish political opponents refuse even to acknowledge each other in the street—and he says that if he got his way the minority Flemish language would be respected and allowed to continue."

Mr Happart initially comes across as a somewhat shy and even mild-mannered man but his language leaves no doubt that he is in deadly earnest. He compares Flemish attitudes to "the Gestapo" and sees himself as saving Wallonia from "the enemy."

Asked if events in Les Fourons do not create an absurd spectacle for the outside world doing enormous harm to Belgium's image abroad, he replies: "If this issue threatens the Government's life it is because it is an expression of the wider Belgian malaise. We are at the crossroads between two cultures—we are like two different elements, water and fire—and for me the idea of Belgium does not exist."

The long-term solution is for Flanders and Wallonia to be two regions of a wider Europe, he says.

Not all Flemish politicians would disagree with this last sentiment — indeed some have expressed it publicly themselves — but they are convinced with the same degree of passion as Mr Happart on his side that Voeren must remain Dutch.

It is pointed out, for example, that the area was ceded to Flanders under the 1963 deal for blantantly political reasons. As Mr Leo Delcroix, secretary-general of the CVP, the Flemish Christian Democratic Party explains, the Socialist Party in Liege at the time almost commanded a majority in the region and was therefore quite happy to "lose" a district like Les Fourons which was the predominantly Christian.

Moreover, he adds, that same agreement covered Komen Moeskroen, a much bigger community on the western side of the country which was switched in the opposite direction, as well as the all important Flemish fringes of Brussels where the French-speaking population enjoyed so-called bi-lingual facilities.

"In Komen Moeskroen the people have adapted and now speak French," Mr Delcroix says "But the French-speaking side have generally shown much less willingness to adapt."

Flemish-speaking Christian Democrats are particularly incensed that the PSC — their "sister" party in the south — should champion a man like Mr Happart, who as a member of the Socialist party ought to be an unambiguous political enemy.

Tim Dickson

Canalside scene in Flanders between Bruges and Sluis

Tourism

Promoting the country's riches

SEEN FROM the air, Belgium looks like a large sugar-beet field crossed by arrow-straight canals. From the sea, it looks even worse, with a seemingly blank wall of concrete, broken by the occasional foundry chimney flaring bright orange.

Dashing across the country on the efficient motorway system it is hard to drive more than three hours without crossing a border. But it leaves the misleading impression that Belgium is an unappetising mixture of drab industrial architecture and soggy fields.

After an acrid whiff of Ghent's steel works there is a nasty hint of Brussels' breweries. Miles of rolling agricultural land, broken only by the odd tufted tumulus silhouetted against an enormous sky, suddenly give way to the grim slagheaps of Liege, the grey brown Meuse, the bare granite of the Ardennes, and the German border.

The Belgians are well aware that the ease of communications in their country is a mixed blessing, that they are perceived either as an annexe to France or the doorstep of Holland, a kind of lobby at the entrance to Europe.

For the first time, however, the tourist authorities—divided into French and Flemish like the rest of the bureaucracy—have joined forces with the national airline Sabena, American Express and Avis, to turn the image of Belgium inside out.

A five-year promotion campaign aimed at the American market has already started, with a budget of BFr 50m. The theme of the campaign is that Belgium is the key to Europe, that a transatlantic visitor can get the feel of the history and culture of a whole continent by sampling the mediaeval riches of Bruges or the luminous art nouveau treasures of Brussels.

On a more practical note, the promotion points out that availability and price of hotels in Brussels compares very well with Paris or London, and that it makes sense to use Belgium as a base for excursions to other European capitals.

American visitors to Europe as a whole dropped off dramatically in 1986, put off by threats of terrorism and Chernobyl radiation, not to speak of the slump in the dollar. Belgium, which was never top of the list of tourist priorities, was particularly hit by the American cancellations and the experience seems to have stimulated the tourist authorities into a new dynamism.

For instance, the French and Flemish tourist organisations will at last be working under the same umbrella in New York—a great relief to tourists who have always found the division of such a small country into language pockets quite incomprehensible.

The promotional effort in the US is only the beginning, it seems. The Belgians have decided that the best way to sell their country is to carve it up into easily digestible slices. Research by American Express shows a growth market among independent rather than group travellers, a market looking for more than a superficial, whistle-stop tour in a minimum period of time.

To meet this need, the Belgians have come up with various themes and packages which will shortly be marketed in the UK. Art Nouveau enthusiasts, for example, are now being offered two nights' accommodation in one of Brussels' elegant turn of the century hotels, plus a day with a specialist guide visiting such gems as Victor Horta's house, the Solvay mansion and other private houses not normally open to the public.

Other packages include entrance to a range of transport museums, both military and civilian, and special prices for events during the Europalia festival in Brussels this autumn. There are also plans on the drawing board for chocolate weekends with visits to the ateliers of Belgium's most exclusive chocolatiers.

There is also a range of new ideas for holidays outside the main cities, combining sports and other activities with a weekend or week in an hotel. At the coast, for instance, there are gastronomic packages combining the pleasures of seafood platters with sand-yachting on the hard wet beach at La Panne.

Although it would be rash to take a trip to the Belgian coast without gum-boots and wind break, it is not without its bracing charm. It is easy to get lost in the beautiful wild dunes near the French border, once the apartment blocks are obscured by the sand. A little further inland, the clear blue flax fields near Courtrai are stunning in early summer.

It is best to tackle the flat bits of Belgium on a bike, following the canal tow paths to pretty little Flemish towns like Damme. The other way is to rent a boat and approach the secret parts of Bruges or Ghent, by canal. Ghent, which was once only second in wealth to Paris, has now banned cars from its city centre, so the tinkle of the carillons will no longer be drowned by the traffic.

Many visitors to Belgium are attracted first to the major cities to look at the famous art treasures such as the extensive collections of Rubens, van Eyck and Breugel. Or the modern masterpieces by James Ensor, Paul Delvaux or Rene Magritte. Next, they are charmed by the perfectly preserved miniature city of Bruges, complete with gabled facades, bulbous belfries and sluggish canals.

Then, after a quick look at the Grand Place in Brussels and a stroll round the Sablons looking for antique bargains, they think they've "done Belgium."

Hidden away, though, off the beaten track, there is a forgotten side of Belgium made up of tiny towns which were rich and powerful in the Middle Ages, but which have faded since. Their architectural masterpieces, like their East Anglian counterparts, are relics of the prosperous wool trade. Usually they have been battered by sieges, and burned, or bombed during 400 years of European battles.

These little towns, like Lier, near Mechelen, with its eccentric astronomical clock, are now dormitories for modern industrial centres. The narrow cobbled streets, with lace curtains framing aspidistras are the low key side of Belgium. The ideal place for a reflective local beer or a restoring shot of oily gin and the new season's "maatjes" or young soused herring.

In the smallest Belgian town, a potted history of Europe is written in its architecture. The style is never unified. Chunky romanesque vies with florid Flemish renaissance. Smooth Burgundian slate rubs shoulders with high gothic carved limestone. Many towns have at one time been Dutch, Spanish, Austrian or French, and the flavour of each occupation still lingers.

In the wooded Ardennes, with its blue-black pine forests and bleak peat bogs, there are also charming little towns waiting to be discovered. This year, Belsud, the booking organisation which handles French-speaking Belgium, has brought out a brochure offering a large number of packages in the Ardennes.

In the summer there is a choice of tennis, golf, fishing or walking holidays. In winter, there are plenty of opportunities to sample cross-country or downhill skiing.

Most incongruously—for the traveller who is bored with Kenya—Belsud is offering a new kind of safari, crashing through the muddy forests in a four-wheel drive Toyota for a glimpse of wild boar.

Pamela Readhead

For information on Belsud, and other holidays in Belgium, contact the Belgian Tourist Office, Dover St, London W1. Tel: 01-499 5379.

SECTION IV

FINANCIAL TIMES SURVEY

Buildings are becoming obsolete more quickly, but which ones get renovated depends on the returns available. The retail sector has, nationwide, drawn in developers, putting pressure on existing owners to refurbish their investments. Meanwhile, the industrial sector has remained the Cinderella, and office renovation is not without problems—especially when it involves buildings that date from the sixties, writes **Paul Cheeseright.**

Build-up of stock to mend

THERE HAS NEVER been a time, in all probability, when so much of the nation's property needed renovation. For that is what refurbishment is all about. It is a half-way house between knocking a building down and starting again, and leaving it standing either to become derelict or increasingly inconvenient.

For the property industry such renovation is a continuing job, ebbing and flowing as the economy itself ebbs and flows: some sectors fashionable now, some at other times, depending on the returns available.

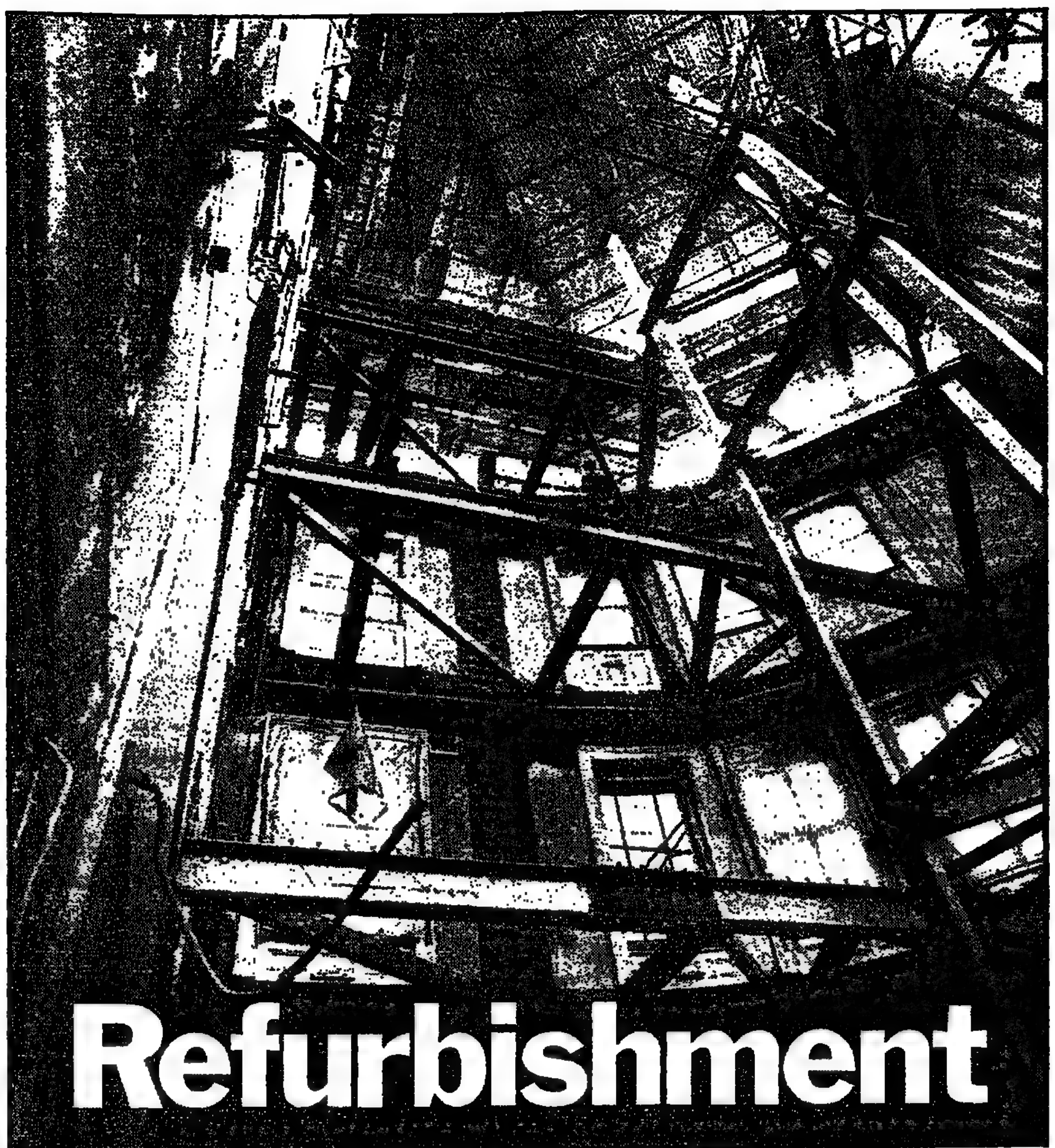
The industry now is responding both to the shake-out in the economy and to the rising expectations of the consumer. But there is no evenness in this response.

The British manufacturing sector is said now to be performing more efficiently than a decade ago, but there is much less of it. Stress has been put rather on the development of services. This points to relatively more refurbishment activity in the office rather than the industrial sector.

But it points inevitably to shopping as well. Fuelled by a general rise in incomes above the level of inflation and stimulated by the availability of plentiful credit, the employed population has been enjoying a consumer boom. And this has not been a phenomenon confined to the south-east.

The retail sector has, nationwide, drawn in developers. The more they have piled into new ventures the greater has been the pressure on existing owners to refurbish their investments.

The factors behind the retail boom are those behind the spread of private residential property investment, too. Two-thirds of the nation's homes are now privately owned, against just over a half at the start of the 1970s. Their stock is continually undergoing refurbishment.



Ashby & Homer is currently working on a refurbishment project for the Worshipful Company of Fishmongers in the City's King William Street—see Page 3 Debbie Osborne

So, too, is the stock of publicly-owned housing but, given the restraint on local authority spending, refurbishment is not happening quickly enough to meet needs.

This uneven pattern of regeneration of the nation's property is taking place against the background of growing concern about the plight of inner cities. There is concern, too, about the need for a revival of the rural economy as measures to combat agricultural surpluses start to hurt the farming community.

The Government has put in place an array of grants and systems to encourage the refurbishment of urban areas, for example derelict land grants, enterprise zones, and development corporations. It has sought to relax the planning restraints on development in rural areas, so that derelict buildings can be released for, say, small workshops.

At the same time it has sought to wrest control of public housing from the local authorities by encouraging sales to private individuals and by fostering the growth of housing associations, so that the responsibility for modernisation falls outside the public purse.

Certainly there is much work to do, not only in the housing sector but in the main sectors of commercial property.

A recent analysis of the state of industrial property—factories rather than warehousing—argued that the factory stock, like other parts of the national infrastructure, is crumbling.

The factory stock "is getting older and is being renewed only painfully slowly. This is worrying because factory buildings are perhaps the most directly productive of all infrastructure assets. They house the industrial activity that employs a quarter of the workforce, generate a third of national income and provide half the country's export earnings. And in many cases they do not house it very well," the study said.

By the mid-1980s, the study estimated, 18 per cent of the country's industrial floorspace had been constructed before 1919; 22 per cent between 1919 and 1945; 23 per cent between 1946 and 1965; and 20 per cent between 1966 and 1975. Only 17 per cent had been constructed after 1975.

For the property industry, the industrial sector has in recent years been the Cinderella. While it is true that, for example, old textile factories have been converted into small units, and in doing so probably employ more people than they did in the earlier generations of their use, it is also true that there has been no push of institutional investment. There has not, therefore, been the financial impetus for refurbishment that there has been in the office and retail sectors.

The office sector is difficult. It is now widely accepted that the constructions of the 1960s and the 1970s are not well suited for the electronic age. It is not universally accepted, however, that the best thing to do is pull them down and start again.

Industrial Market Research has just completed a survey of the private office refurbishment market. It found that the great weight of activity was in London and that much of that was involved in the modernisation of the 1960s and 1970s tower blocks. In the City, for example, these blocks make up 40 per cent of the available space.

In London, though, the refurbishment market is likely to concentrate in the future on the West End, where strict planning policies and a stock of nineteenth century buildings make refurbishment the only way to modernise. Starting again is rarely an option.

The market, none the less, appears to have peaked. It was worth £360m in 1985, according to IMR, but had declined to £340m in 1986.

One reason for this in the City is the pressure on space. This has forced the planners to take a more relaxed view of new development outside the historic core of the square mile. Knocking down and starting again is an economic option in this area.

But drawing a distinction between the London office phenomenon and the industrial property problem of out-datedness, the high level of demand in the former creates a pressure for change that does not exist in the latter. There is therefore a greater readiness to fund change among the financial institutions.

There is something of the north-south divide in this. It is more difficult to find funds for refurbishment outside the M25 than it is inside it. This could change once the institutions become attracted to yields of up to 25 per cent on refurbished industrial property in the Midlands and northern area of the country.

The exception to this rule of thumb is the retail sector. There is as much enthusiasm for funding an improvement of shopping facilities in Liverpool as there is in Manchester or the London suburbs.

To some degree this is a defensive measure in the city centres against the pressure of developers to create large new complexes on the edge, or out of towns.

Just as office landlords have been coming to terms with their 1960s tower blocks, so the retail property owners have had to "grapple with problems arising from design obsolescence and increasingly competitive trading conditions," Hillier Parker, the chartered surveyors, noted.

Last year Hillier Parker calculated that no fewer than 77 shopping centres were in the process of refurbishment. And the number would be higher now. More than half of existing shopping centres of 500,000 square feet or more were involved. Three-quarters of all the schemes were over 11 years old and nearly two-thirds of them were outside the south-east.

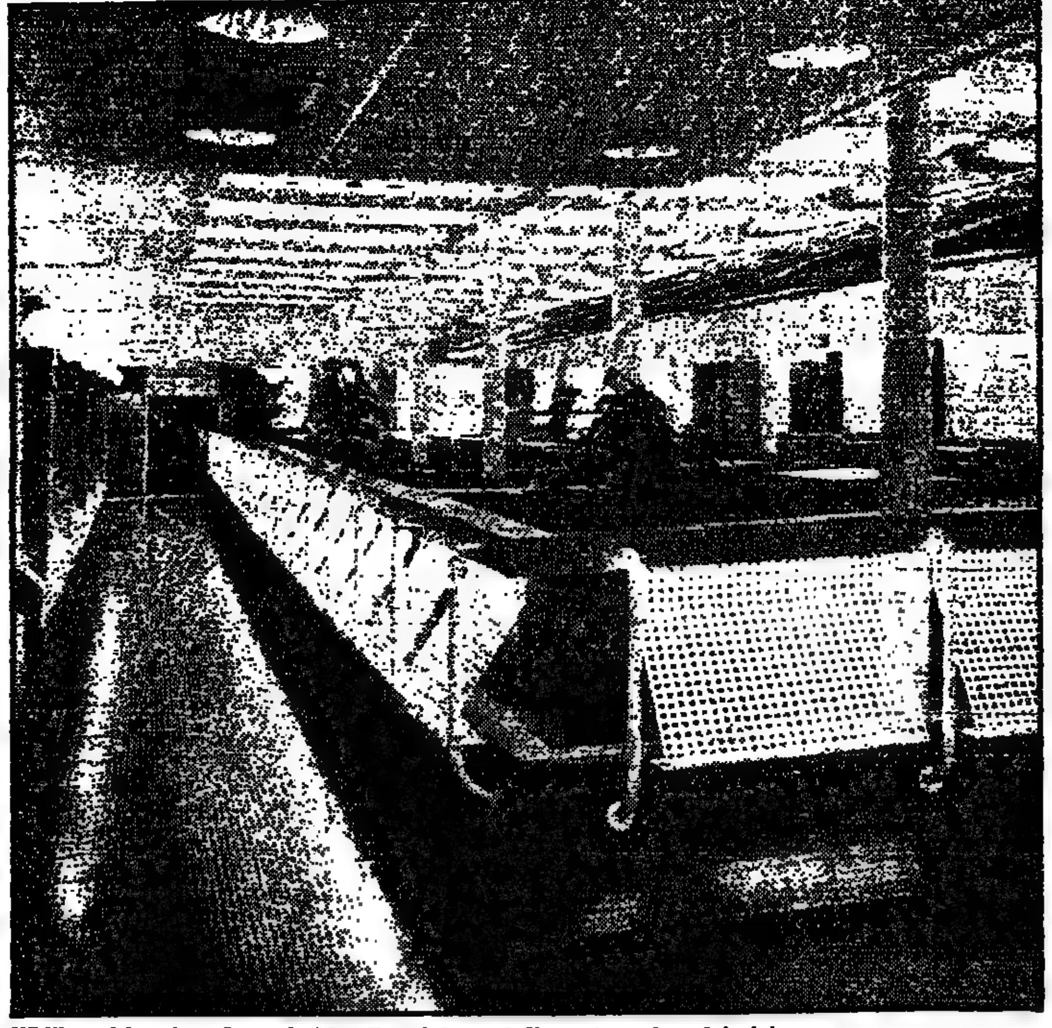
Buildings, whether retail or not, are becoming obsolete more quickly. The stock needs to be regenerated more often. The days have passed when owners could think of constructing for a century and refurbishing once a generation.

* *Property and Industrial Development by S. Fothergill, S. Monk and M. Perry; Hutchinson, April 1987; £12.95.*

CONTENTS

Paul Cheeseright looks at why some companies are going for redevelopment and others are improving. Plus West End property

There is a desire among owner-occupiers to hold on to what they have and bring it up to date. Above, Whitbread opens the gate on updated offices.



Whitbread has transformed old cellars into a staff sports and social club.

City buildings

Staying put—even if it costs more

CITY ACTIVITY has been running at lower levels than in the West End of London, largely because the buildings are less suitable for extensive refurbishment.

About 30m sq ft of the floor-space in the City was built in the 1960s and early 1970s and these are the buildings which, because of their shape and construction, are the least suited to modernisation for the major financial houses.

So there is a trend towards redevelopment—London Wall, a 1960s street in the north of the City is a prime example of the desire of developers to start again, in effect. And this trend has been encouraged by the more lenient planning policies of the City Corporation, in operation now for a year.

There are, of course, many companies other than the financial institutions in the City, but the importance of the latter in the refurbishment equation can be gauged by the fact that, in 1986, according to figures drawn up by Jones Lang Wootton, the chartered surveyors, financial institutions took up 61 per cent of new space.

And the finance houses have to be choosy. Industrial Market Research, in its assessment of the market for accountants Touche Ross, said: "Given that high rents paid are only one factor in the decision-making process, tenants in the City will be seeking to improve the efficiency and scope of their operations and increasingly turn to electronic technology in this respect.

"In the longer term, the supply of buildings capable of being refurbished to the necessary standard will decline. Refurbished property is likely to provide a declining proportion of the supply of office space."

Still, there are general factors that will lead companies and financial institutions to stay where they are and accept that refurbishment of a building they are already in could cost, square foot for square foot, more than a redevelopment.

Mr Stephen Swicegood, managing director of Heery Architects and Engineers, the company which transformed Victoria Plaza for Salomon Brothers, listed these factors in favour of refurbishment as time—it can be quicker than planning, designing and constructing the new; and location—other sites in city centres are not necessarily easy to find.

So there has been a steady stream of activity to meet the demands of tenants that have been changing because of the spread of electronic trading, the growing internationalisation of the London market and the deregulation of the City markets.

Technical difficulties notwithstanding, this activity has included the adaptation of 1960s buildings. Mowlem, for example, upgraded Drapers Gardens for the National Westminster Bank, providing new trading floors. Space Planning Systems renovated a building on Cheapside, again fitting it out with dealing floors for J. Henry Schroder Wagg.

And the activity has extended into buildings completed during this decade. ECH Project Services spent £20m on a complete revamp of Ebbgate House, so that Barclays de Zoete Wedd could have the electronic dealing facilities it needed. The building had, in fact, cost about this sum to construct in the first place.

The problem with the 1960s buildings is that often the ceiling heights are not tall enough to accommodate the maze of wiring necessary for the equipment, and the rooms are not deep enough to fit in both the dealers and their equipment. The extra electronics, in any case, require a much more elaborate and powerful system of electrical supply. The use of large trading floors needs new, or at least extra, air-conditioning.

It is a costly business. Provided the designers have the depth of space to work in, Edwardian and Victorian buildings are easier. By filling in a light well, this is what JLW Building Surveying Services has been doing for Scottish Provident's building in the very heart of the City at 1-6 Lombard Street.

But the demand for large dealing floors is limited, in fact, to a relatively small number of institutions. The needs of other tenants are often for smaller premises, finished to a high standard and hence, after refurbishment, capable of attracting high rentals. Wates City of London Properties worked in this part of the market with the renovation of a 1960s block in Basinghall Street, now renamed City Tower.

The problem with 1960s buildings is that ceiling heights are often not tall enough to take the maze of wiring necessary for the equipment, and the rooms are not deep enough to fit in dealers and all their gear

Given the current ambivalence towards buildings of this vintage—an ambivalence that embraces aesthetics as well as the technical problems of adaptation—it seems likely that once the space demand-supply equation has achieved a better balance in the City, the greater part of refurbishment activity is going to take place on older buildings.

There is a strong conservationist element in the City Corporation's planning policies. It wants new buildings pushed outside the traditional core of the Square Mile.

But there is also a desire among owner-occupiers to hold on to what they have and bring it up to date. Hence the conservation of the fabric of the Whitbread brewery, in use for 200 years, on Chiswell Street but its internal transformation to modern office space, organised by Space Planning Services.

West End property

The perils of taking on a ballroom

THE TROUBLE with refurbished property in London's West End is that there is not enough of it. The market itself is as big as that of the City and it is under the same sort of pressure.

Still, over a third of national refurbishment activity has been taking place in the West End, according to estimates by Industrial Market Research.

Any developer who can find a property for updating will pay heavily for it. Hence the £30.5m paid by London and Metropolitan Estates and Kumagai Gumi for Distillers House in the St James's area. The listed parts of the building will be restored and a new building will be put up at the back.

Such opportunities are few. Refurbished buildings to meet the rising requirements of tenants are simply not coming on to the market quickly enough. And this is not confined to the favourite areas of St James's, Mayfair and Covent Garden.

The latest floorspace survey of Debenham Tewson and Chinnocks, chartered surveyors, showed that in April alone, the available space in Victoria, which had suffered over-supply, dropped by 15 per cent and there was a drop of 10 per cent in the northern part of the area, again a district which had seen over-supply.

Richard Ellis, chartered surveyors, has calculated that between 1986 and 1990 a total of 5.7m sq ft of new and refurbished property will become available in the West End, but that this represents an average of 100,000 sq ft less a year than beween 1982 and 1985. Of that 5.7m sq ft, just under 2m will come from refurbished property.

Refurbishing in the West End *is not easy. Westminster City* Council, the local authority for the area, has traditionally maintained a rigorous conservation policy which has been concerned not only with the external appearance of buildings but also their interior preservation.

Many of the buildings were once the residences of the rich and have been adapted over the years. But commercial companies these days tend not to want buildings with a ballroom. They may be willing to pay high rentals but not charges which reflect the costs of restoring buildings to a residential grandeur long since past.

At the same time, large chunks of property are held by estates, notably the Crown itself and Grosvenor. Although their attitudes to property renovation are changing, they have been undertaking the work at their own pace and not necessarily at that of the market.

In the Mayfair district especially, there is in any case uncertainty about whether to go ahead with refurbishment of property holdings. Many have only a temporary planning consent for office use, granted post-World War II to assist recovery, and in 1990 this consent runs out on about 1m sq ft of space, over three-quarters of which is owned by the Grosvenor Estate.

The City Council view on this is that reversion to residential use goes ahead unless it is impracticable. This suggests individual consideration for up to 200 buildings. Some will certainly be found now to be unsuitable for anything else but offices, because of size and cost and maintenance. Others are bound to revert—the council is not going to abandon its policy. So refurbishment is going the other way round.

What this will mean in terms of square footage of commercial accommodation lost over the whole West End is unclear. In global terms, the loss could well be offset by another factor coming into play covering districts other than Mayfair and St James's—the change in the Use Classes Order which came into effect on June 1.

This designates the category of activity that takes place in any given building. In the new Order, a business class was created that makes light industrial interchangeable with office activity.

The implication is that areas traditionally associated with light industrial or craft activities—Covent Garden, Soho, Savile Row west of Regent Street and some districts north of Oxford Street—could switch to offices without planning permission.

The City Council, anxious to preserve, for example, the clothing industry north of Oxford Street and tailoring in Savile Row, has kept premises in the light industrial category. Gradually, they may be expected to change. Landlords like Great Portland Estates, with 250,000 square feet north of Oxford Street, can be expected to refurbish properties into at least studio offices when existing tenancies expire.

Demand for space is such that changes of this type look inevitable, but refurbishment will be on a piecemeal basis. The effect, though, will be to spread the office market outwards.

The prizes are considerable. The rent differential of the West End and the City is eroding as the City itself spreads westwards. Which is why developers are anxious to get hold of properties that offer the prospect of higher rents once they have been renovated.

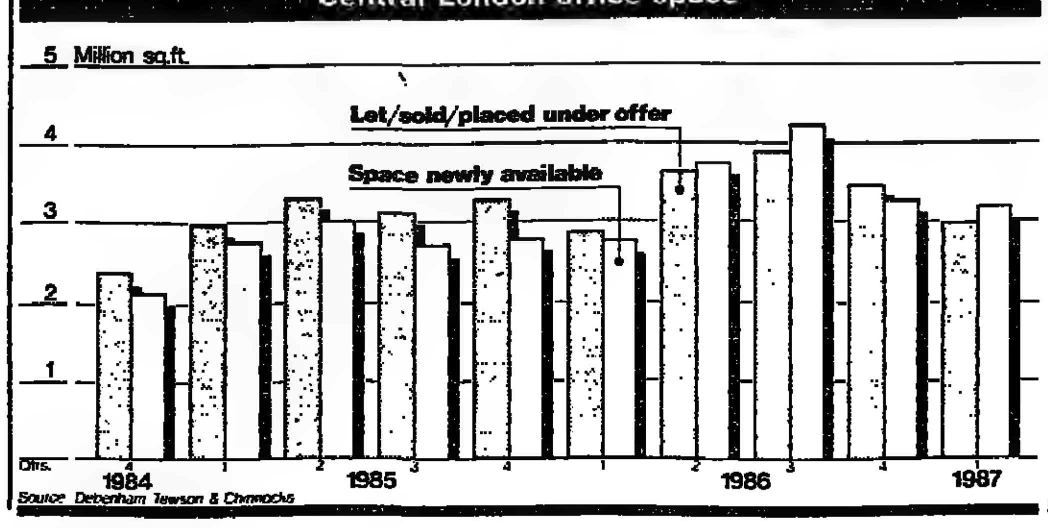
Market growth for office refurbishment

(£ million at constant 1980 prices)

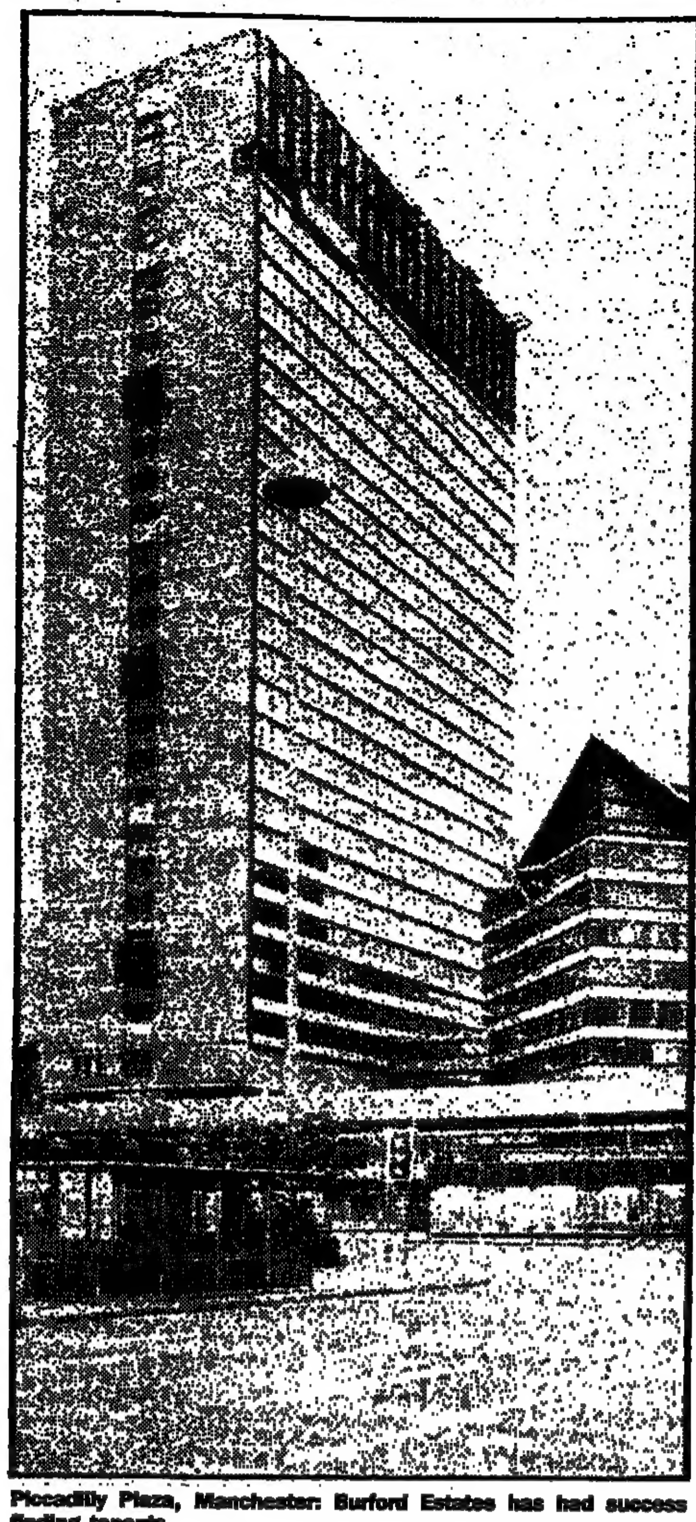
	Total new private office building and refurbishment output	Annual growth (per cent)	Output in Greater London	Proportion in Greater London (per cent)
1980	1,082	—	567	52.4
1981	1,273	+17.7	718	56.4
1982	1,553	+22.0	854	55.0
1983	1,537	− 1.0	820	53.4
1984	1,552	− 1.0	800	51.5
1985	1,567	+ 0.9	770.5	49.2
1986	1,715	+ 9.5	n.a.	n.a.
Total Output 1980-85	8.564	8.2	4,530	52.9

Source: Industrial Market Research Estimates based on Department of the Environment statistics and National Council of Building Material Producers Forecast November 1986.

Central London office space



Source: Debenham Tewson & Chinnocks



Piccadilly Plaza, Manchester: Burford Estates has had success finding tenants

Provincial offices

Rents start to nudge upwards

LESS THAN A THIRD of the funds going into office refurbishment have been spent outside London, according to Industrial Market Research calculations. And the reasons for this are related to what is happening to office investment in general.

Investing institutions have concentrated their funding on London developments as the market outside has gone through a shake-out. There has been a tendency to sell rather than spend more, as provincial centres coped with the problems of over-supply and the consequent lack of rental and capital growth.

But the market has started to revive outside London and, although the situation varies from centre to centre, rents have begun to nudge upwards, so that, for example, £10 a square foot is being predicted in Bristol and £8 in Manchester for prime properties.

It is not clear whether the institutions will return to investment in a major way, but if they do, refurbishment should attract funds alongside the financing of new developments. Much of this is likely to be related to putting value back into buildings, into existing investments.

Richard Ellis, the chartered surveyors, drew attention in a recent report to the fact that "physical depreciation remains probably the most significant of all the causes of declining value, which is only now being fully recognised."

What is at issue here is deterioration of the external fabric, outdated architectural style, changes in the requirements of occupiers, poor internal lay-out and rising service charges.

It has begun to be appreciated, Ellis said, "that a much higher proportion of value of an office is inherent in the fabric of the building than is the case in retail and industrial property. In the latter instances, site value can represent around 40-50 per cent of capital value whereas this is commonly less than 30 per cent in the case of a provincial office."

To some extent then, the need for refurbishment is a defensive reaction to a changing market. Industrial Market Research quotes one landlord "as saying that the main reason for refurbishment is not to make money but to stop losing it."

But there is more to it than simply running to stand still. The higher level of demands of tenants, which is no less outside London than inside, means that well-refurbished buildings offering facilities as good as those in new developments are finding a market at increased rentals.

Chesshire Gibson, the Birmingham surveyors, noted at the end of last year how Edmund House in the city centre had been sub-divided to create smaller suites and how, once the refurbishment had been completed, the rents went up from £4 to £6 a square foot.

"We can expect to see landlords continuing to spend money on upgrading existing buildings, particularly entrance halls and common parts, in order to retain existing tenants and increase rental levels," commented Mr Geoff Thomas, one of the Chesshire Gibson partners.

And, in Leeds, chartered surveyors Lambert Smith, commenting on the strong demand for offices, suggested that a shortage of development sites within the prime area will make secondary streets the target of refurbishment schemes. In addition, demand for refurbished space is now across the board; it is not limited to the better quality. One third of the office space now available in the city is refurbished, as distinct from old or new.

The examples multiply—Bristol, Glasgow, Manchester. In Manchester, W.P. Robinson, chartered surveyors, noted the success of finding tenants of Burford Estates with Piccadilly Plaza, Norwest Holst with Bridgewater House and Scottish Widows with St Andrews House.

Rents have been up to £6.25 a square foot, less than for new accommodation in the main city area, and landlords have tended to be more flexible over lease terms and lease length than owners of new buildings.

But such rents are puny compared with those in central London and it seems that they will act as a major drag on the acceleration of refurbishment activity except where it is tied to coherent inner city regeneration programmes supported by public funds. Although building costs are higher in London than outside, the difference is nowhere near equivalent to the rental disparity.

The costs of major refurbishment are often not much less than those of developing a new building and, although the prospects of greater revenue and capital returns look better now than for five years, it seems clear that landlords are going to be choosy.

Older buildings in the provinces with the greatest potential for refurbishment will remain those on prominent sites where there is a high density of development, perhaps higher than would be granted by today's planners.

Paul Cheeseright

City institutions seeking offices want wide open-plan spaces. Meanwhile, out of London, there are signs that office investment is picking up

New-build boom makes tomorrow's work

THE FLOOD of City office refurbishment contracts placed in the two years running up to Big Bang appears to have ebbed. However, the bout of new building construction creates in its wake some refurb and fitting-out possibilities, while at the same time providing "the raw material for the next generation of work," according to one builder.

According to Vigers, one of the City's leading chartered surveyors, of the 6.2m sq ft of new developments in excess of 10,000 sq ft granted planning consent up to the end of March, only 344,129 sq ft were for refurbishment. And this was made up of just two projects: Lutyens House at Finsbury Circus, and the much smaller Halton House, Holborn. The rest were all redevelopment projects.

Six months earlier, Vigers listed five refurb schemes—although the total space involved, 347,822 sq ft, was much the same—as part of the 6.2m sq ft of space granted planning consent in the nine months to September.

Estate agents and surveyors all make the same point: the financial institutions seeking office space want large open-plan spaces for their trading floors—10,000 to 40,000 sq ft—and this is hard to squeeze out of existing buildings. As a result, the City fringe has enjoyed a boom and the zone between the City and the West End, especially the increasingly empty newspaper mausoleums of Fleet Street, have attracted a lot of interest.

Rents of around £50 a sq ft (and rising) in EC2, the core City district, and the prospect of a rates explosion are also forces pushing the newcomers further afield, claims Mr Martin Farr of Vigers.

Trollope & Colls (City), Ashby & Horner, and R. Mansell, three of the best-known City refurbishment companies, have been able to follow the changing work pattern and have picked up many contracts for projects outside the City proper.

In April, Trollope & Colls, a subsidiary of the building and contracting sub-division of Trafalgar House, won three modest refurbishment contracts in the City: the £200,000 Lloyds Bank building in Fish Street Hill near the Monument; a £1m contract from the City Corporation for work on the Old Bailey; and a £600,000 contract on behalf of the Berliner Handels Und Frankfurter Bank in Queens Street.

Together, however, the three are small beer compared with the £10m redevelopment contract for the Adelphi Building in WC2 on behalf of Manufacturers Hanover.

This is an example of mid-city spread by one of the large US financial institutions, and was won by Trollope's construction arm.

The limited amount of major refurb work in the City at present inevitably compares unfavourably with the 1985 and 1986 peaks. In late 1985, for example, Trollope won, in a matter of months, four sizable contracts—all for brokers and bankers with the emphasis on dealing room space.

The company's current refurb order-book stands at around £12m, which is down on the last couple of years but comparable with previous non-boom periods. The major contract slack is partly being taken up by a large number of orders for its small works department mainly for fitting-out jobs.

Ashby & Horner, which supplied in the run-up to Big Bang 2,000 dealers desks to more than 60 clients, many of them overseas institutions, has reported one major refurb contract this year—a £5.3m award for the Royal Bank of Scotland's computer centre in Charterhouse Square near Smithfield. Late last year, however, it won a clutch of contracts: the £3.2m Standard Chartered Bank building in Gracechurch Street; a £1.3m project on behalf of the Worshipful Company of Fishmongers in King William Street; and finally a £2m contract, again for the Royal Bank of Scotland, in Great Tower Street.

Mr Denis Thornton, Ashby's group marketing manager, agrees that the larger-scale refurb projects have declined but adds that "most of the new buildings being built take occupants out of older ones, so refurb possibilities on the vacated premises, for those who are less demanding in space requirements, emerge a little later." Also the fitting out of new office block shells can be similar work to the refurbishing of an older building.

The gap left by the decline of major contracts is filled with lots of smaller, less than £500,000, projects, according to Mr Thornton. "Ashby has 50 to 60 current refurb contracts," he said.

Having begun work in the City in 1740, Ashby projects a "traditional City builder" image and has its own team of craftsmen, masons and joiners, and long-standing relations with the banking world. Even the controversial Lloyds building proved a suitable place for Ashby's skills when it won a contract to build an "old wood-panelled boardroom inside," said Mr Thornton.

The company estimates that it has about a fifth of the £35m-a-year dealing room market in the City and expects about 60 dealing rooms to be commissioned each year as new markets open up in London.

The last major refurb contract reported won by R. Mansell, the Croydon-based company, was a £2m one for the Norwich Union's Bucklersbury House about a year ago. At the same time, two smaller projects were also taken on board: British Telecom's £700,000 contract for Caroone House, Farringdon Street; and Five Oaks Investment's £550,000 contract in Botolph Lane.

One £900,000 contract just completed by Mansell, on behalf of the Crusader Insurance company, involved a partial rebuild in the Minories of a small office block, the ground floor of which is the Three Lords pub—and the pub's facade had to be preserved.

Mr Tony Hobbs, of Mansell's marketing department, said that there was "a shortage of good available buildings but a revised attitude to the City development plan could soon see this changing." He also noted the lack of interest in the City by the leading property investment houses.

New work was coming from overseas banks, especially those from Japan, the larger firms of accountants and lawyers, some of them the product of mergers. Work was also arising from the merging of smaller banks, said Mr Hobbs.

Generally, competition ("trouble") from newcomers attracted to the City—"still the most important centre of building activity in the country"—remains one of the biggest problems, claims Mr Thornton—these newcomers are "not cowboys—just inexperienced firms trying to get on a lucrative market by under-pricing contracts. Many fail but some do succeed," he adds.

In the longer term, the current new-build boom is seen as providing work for the future and the small contracts/big contracts balance is seen as just a cyclical feature of the refurbishment industry. While few expect the boom days of 1985-86 to return soon, equally the three companies feel that there is "nothing much wrong with the City refurbishment business, especially once the knock down and rebuild phase is out of the way."

Terry Povey

A look at what some of the refurbishment companies are up to

Commitment to the market

LAST YEAR saw the end of an era: Haslemere Estates fell to a £252m bid from Rodamco, the Netherlands-based property fund which is part of the £6bn Robeco group. Haslemere had become synonymous with quality refurbishment in Central London over a period of nearly 30 years, since Mr Fred Cleary, Mr David Pickford and Mr Frank Collier began to build it up in the late 1950s.

The company succumbed only after a stalwart defence, led by Mr Pickford as board chairman, that eventually produced a clinching increase in the Dutch offer in March.

Around the end of June, Haslemere managing directors Mr Gerald Powell, Mr Tim O'Rourke and Mr Andrew Hamilton, left to set up a private property company specialising in both refurbishment and new development. They named it Ranelagh last October.

Over the next six months or so the ex-Haslemere team set up a joint venture agreement with the Swedish group Reinhold, which is becoming increasingly active in the UK property market.

Mr O'Rourke says that Reinhold has now established an international joint venture, capitalised at £10m, along with Scandia, Sweden's largest insurance group, and Hufvudstaden, a major property group of the same domicile. The purpose is to expand in Europe in general, and in the UK and Spain in particular.

Mr Howard Waters

Mr Peter Martin

Ranelagh, meanwhile, has started small with the purchase, in partnership with Reinhold, of two adjacent Georgian houses, totalling about 7,000 sq ft between them, in Doughty Street, London WC1 for an office refurbishment. It is located where the professionals who service the City of London may well want to be.

The company has also bought an old industrial site in Twickenham, West London, which has a long frontage to Marble Hill Park. It is hoping to build 25 new homes there, says Mr O'Rourke, in the form of a classical terrace by architect Quinlan Terry, who designed the Richmond riverside development for Haselmere.

Mr O'Rourke says that Ranelagh is now getting close to clinching several "rather larger" projects in the City of London. The team will want to specialise in the City, the West End and Holborn, as it did at Haslemere before.

Going back to June 1986, that month saw an equally prestigious commitment to the refurbishment market by Grosvenor developments, part of the Duke of Westminster's Grosvenor Estate.

The company said that it saw a pent-up market of £1bn in the refurbishment of shopping centres over 15 years old and up to £8bn in offices. Mr Peter Martin was named project director of Grosvenor's new refurbishment division, and Mr Howard Waters was made project manager.

At that time, said the company, it had already undertaken the successful refurbishment of offices and three of the Grosvenor Estates retail centres. A three year programme at the Grosvenor Precinct, Chester, was continuing and the work was expected to continue with the Grosvenor Centre, Northampton.

Grosvenor Developments' first commercial refurbishment dated as far back as 1972 with the restoration of Victoria Chambers in Sheffield. More recently, the regeneration of the 100 year-old Express Newspapers building in Upper Parliament Street, Nottingham, was accorded in 1984 one of the prestigious Europa Nostra awards.

At the time there was a feeling that Grosvenor was bringing a touch of class into refurb, perhaps filling a gap which the departure of Haslemere as an independent specialist might open.

Mr Martin did nothing to dispel the sense of occasion. "The Grosvenor Estate has its roots deeply embedded in history," he said at the time. "The foundations of our property interests were laid down over 900 years ago, and subsequently strengthened in the seventeenth century.

"It is a natural progression for us to be heavily committed in both generation and regeneration of property in all its many aspects," he concluded then.

Since then, he and Mr Waters have been preoccupied with doing the Estate's own refurb work at Lewisham in South London, Northfield in Birmingham, and in Chester. He says they have also been looking at a number of other propositions, including both offices and retail along the M4 western corridor.

He thinks that refurbishment will justify the investment of more money and people, the latter both from within the Grosvenor organisation and from outside.

Back at Haslemere there is a new managing director, Mr Paul van Romunde, who feels that the company retains many of the skills it had in refurb.

"The people who left were those who bought and initiated refurbishment projects," he said. "We've retained the project managers, some of whom have been with Haslemere for more than 25 years—right from the start of the company, in fact." In its continuing refurbishment work, accordingly, the accent has been on projects from within the existing Haslemere portfolio.

Since the Rodamco takeover, says Mr van Romunde, the new Haslemere management has initiated three refurbishment projects "from scratch"—at Bury Street, on the eastern side of the City of London, at New Street in the same general area, and at New Cavendish Street, north of Oxford Street in the West End.

"They have all been let," he says. "Two of them have been completed and the third, Bury Street, is very close to completion."

The new Haslemere has been trying to buy more classical refurbishment projects, and is getting close on one or two. But, says Mr van Romunde, the process is difficult in central London, which has become a crowded market in the wake of Big Bang.

He, too, is hopeful of attracting more staff of the right quality.

Meanwhile, on a completely different scale, Rodamco has paid over £20m for the freehold of Thorn EMI House in St Martin's Lane, again in the West End of London. What will happen there remains to be seen but it is already clear that the sheer scale of Rodamco could bring a different dimension to Haslemere's operations in the long term.

William Cochrane

Castle Hill near Egham, Surrey: now home for the Ugland family shipping business

Stately homes

Gracious and spacious

A DECADE AGO, what used to be stately homes on beautiful country estates were being left to rot, and were even *demolished as time, apparently,* passed them by.

Since then, motorways have made a lot of difference to the property markets. If a stately home is not wanted for that purpose, it can now become the core of campus office development where graciousness and space are at a premium.

Ake Larson Construction produced a compromise this year when it completed its 12th major UK project—a £1m renovation and partial reconstruction of Castle Hill near Egham, in Surrey.

The house is to be used as global headquarters for shipping magnates Johan Andreas and Lars Ugland, and associated companies of the 300-year-old Ugland family shipping business.

The Uglands, domiciled in the UK for 10 years, wanted Castle Hill to be a family residence as well as the centre of their commercial operations; the result was a mixed brief requiring planning permission for a ratio *of 40 per cent residential to 60* per cent commercial use.

Castle Hill, with 64 rooms on three floors, was originally built in the late 18th century. It was protected under a Grade II listing by the Department of the Environment, and required substantial renovation and modernisation to restore it to habitable use.

The restored house has a total area of 21,500 sq ft. It is set in a 34-acre landscaped estate with stables and lodge house (also Grade II listed), summer house and gazebo overlooking one of the ornamental lakes. All of these required total refurbishment.

The brief given to the ALC team was to restore the original features of the building, and in particular its fine mouldings, staircases, fireplaces and dome, to ensure that the heritage was preserved in a context which allowed the building to be warm and welcoming. The team included the Hubbard Ford Partnership as architects; Scott *White and Hookins as structural* engineers; and the Slender Winter Partnership as mechanical and electrical engineers.

The habitat was not only for senior office personnel, but for ships' captains in transit. Something better than a plastic hotel room was wanted, and the living areas are now furnished in a style in keeping with a Victorian period atmosphere.

Larson project manager Mr Ian Hunt says that £100,000 has been spent on reproduction antiques and the overall impression created is one of comfortable elegance and quiet efficiency.

The efficiency, of course, relates to the commercial slice of the accomodation, required after the expiry of leases at the *previous London headquarters.*

An inner city site was considered "hopelessly congested" so Ugland eventually plumped for Castle Hill which is situated at Englefield Green, close to Runnymede where King John signed the Magna Carta in 1215.

Castle Hill, says Mr Hunt, was originally constructed as a country mansion by Sir John Elwell in the late eighteenth century, and is festooned with battlements and balconies. It is described as "embattled" from a contemporary engraving.

Problems must have been expected, but not all of them were immediately obvious—not unusual in the refurbishment business. Larson says that when rebuilding work began in April 1986 the full extent of the deterioration and rot in the building was found to be much more extensive than initial studies had revealed.

Large areas of the roof needed to be stripped and rebuilt, floors needed replacement and strengthening, and *downpipes had to be renewed.*

Much of the rot in the south and west sides of the building was due to the complete breakdown of weatherproofing on the balconies. These were reconstructed to ensure that similar problems were avoided in future.

The rotting floor timbers and wall panelling on each of the three levels was treated or stripped but only, says Mr Hunt, after photographic records and pressings were taken of the many intricate carvings and plaster mouldings to be replaced in the renovation process.

Larson's UK managing director, Tom Bilden, says that the project was completed two months ahead of schedule and within 7 per cent *of the original* £1m budget. He says that Larson, which entered the UK market *four years ago, is the leading* group of Scandinavian business consultants.

He says that an unique approach to building project *management, first implemented* by Ake Larson when he established his business in 1963, has enabled the company to take 20 per cent of the Swedish domestic commercial market, 25 per cent of the Norwegian market, and set up expanding operations in the UK and the US.

The Larson concept is a simple one; instead of tendering to the client one fixed bid for a whole building project, it offers a fixed consultancy fee for a skilled management team to oversee an entire project.

It says that there is no mark-up on any sub-contracted work, a considerable cost benefit to the client and that, *furthermore,* any cost savings or discounts achieved on sub-contracted work or direct material purch*ases are also passed on to the* client.

The other major benefit, says Larson, is time saving, because the client no longer needs to prepare a very detailed programme of building needs before work on the contract begins.

Larson has done both new-build and refurbishment work in the UK since its pilot project in 1981 — a new cancer treatment unit at Clatterbridge Hospital for the Medical Research Council.

At Benham Valance, at Newbury in Berkshire, new-build and refurb came together in a project for Norsk Data, the Norwegian mini-computer manufacturer. In 1983 Norsk bought Benham Valance, a house built in 1772-75 under the architect Henry Holland but then approaching the point of total dereliction. Some 100 acres of land came with the deal.

Building on its Scandinavian connections, Larson got the job and subsequently produced 3,000 sq metres (32,400 sq ft) of fully-refurbished space three months ahead of schedule and after 11 months of construction time. In parallel with the refurbishment, 5,500 sq metres of modern high quality offices were built adjacent to the main house.

William Cochrane

Residential

The repairs gap is widening

RESIDENTIAL REPAIR, maintenance and improvements currently make up the biggest single sector of construction, accounting for over 20 per cent of total recorded workload, with probably at least half as much again on the flourishing "moonlight" side. Yet the race against the rapid deterioration of Britain's housing stock continues to appear unwinnable.

The amounts have *long since* gone into hyper-figures: between £20bn and £25bn is needed to bring the public sector stock up to acceptable modern standards. A similar amount is required to do the same for the (albeit much larger) private stock.

The number of homes in need of urgent repairs and modernisation in both sectors is in the millions. It is cold comfort to learn that in 1986 134,600 local authority and new town dwellings and 11,300 housing association homes were improved or converted, and that 112,800 improvement grants were given to private owners or tenants. And while the public sector figure is almost half as much again as that in 1985, the number of private grants was down by about 15 per cent.

Number of renovation and repair grants

(GB, thousands)

	All grants	% change	Repair grants	% change	Repair grants as % of all
1980	95.2	+19	3.6	+194	4
1981	94.1	−1	10.9	+208	12
1982	139.0	+48	41.7	+281	30
1983	292.7	+111	160.8	+286	55
1984	319.7	+9	176.4	+10	55
1985	200.1	−37	91.5	−48	46
1985 1st 3 qtrs	154.3	−39	71.5	−50	46
1986 1st 3 qtrs	118.9	−23	51.1	−29	43

Moreover, while cash expenditure is set to rise in 1987-88, the increase will not be sustained, according to stockbrokers Savory Milln. Conservative environment ministers are still keeping the lid down on the spending of local authority capital receipts to avoid over-heating the industry—a policy which will ensure that the gap between dilapidation and repair continues to widen.

Whether the policy will yield if most of the cash for a major housing refurbishment drive can be seen to be coming from the private sector is a question recently introduced to the argument. Some 18 months ago the Prince of Wales, alarmed by what he saw as the danger of civil unrest in decaying inner cities, asked the Royal Institute of British Architects to set up a working group and report on what action might be taken to alleviate the problems.

The group, under the chairmanship of Mr Fred Roche of Conran Roche (formerly general manager of Milton Keynes Development Corporation) reported at the end of last month. Its main thrust concerned the need to raise a very large amount of money and how best to go about it.

It is highly inaccurate to assume that housing disrepair is a uniquely urban phenomenon—there is a depressing, if less obvious, array of rural dereliction—or that inner city problems are exclusively related to the condition of the housing stock. But it is widely acknowledged to be a root cause of many problems.

The RIBA's central recommendation is the setting up of a National Urban Renewal Agency (NURA). Such an agency, it is suggested, "should be empowered to invest an annual £500m of public funds." This is as well as taking over the administration of the £500m existing Department of the Environment programmes—some 20 in all.

Apart from asking the Treasury to part with £500m annually, NURA would require permission to issue "fully-marketable tax-exempt revenue bonds, like corporate National Savings Certificates, to be guaranteed by Government." This would enable it to raise an additional £4bn a year from the private sector.

It is a well-intentioned but highly unlikely plan, paying no regard to current attitudes on public spending and making no mention of what a cash injection on this scale might do to a building industry already suffering from severe skill shortages in vital crafts.

Worse still, an RIBA committee headed by an architect managed to ignore the part of the brief which called for "particular emphasis on the future form of the cities." Perhaps this is because the institution—and the profession—simply cannot agree on this rather vital element, with the result that precious and scarce resources may be spent on the wrong kind of housing improvements.

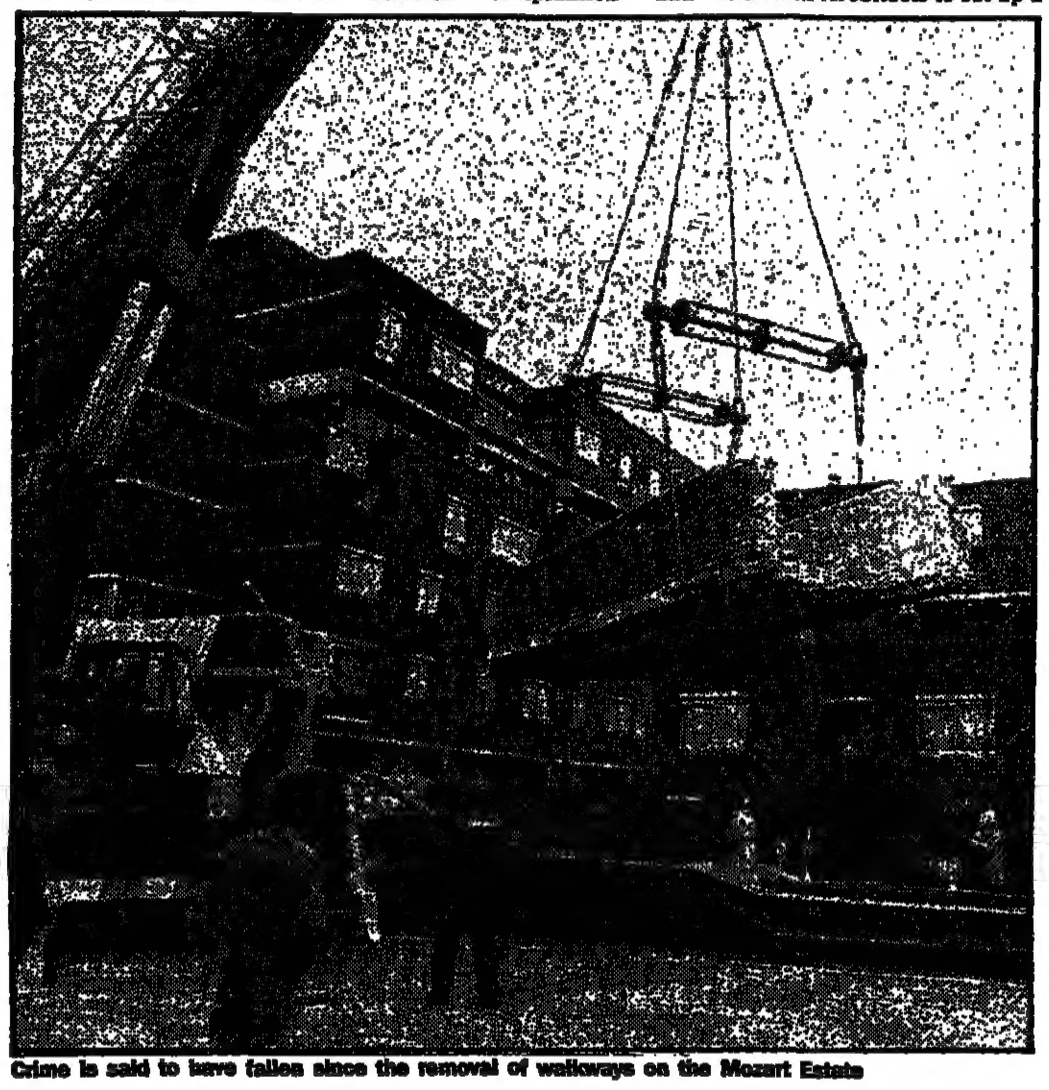
Earlier this month, Professor Alice Coleman of Kings College received a Royal Geographical Society gold medal for "important surveys of the effect of the layout and geography of council estates on the behaviour of their residents." These surveys were published in Utopia on Trial, a book in which she detailed scientific work based on 15 "design disadvantagement factors," and concluded that estate designs produced and recommended by the Environment Department during the 1960s and 1970s were seriously defective in concept.

She also criticised severely estate refurbishment programmes which do not take design factors into account: "popular" solutions like landscaping and redecorating simply don't work, says Professor Coleman, while the creation of children's playgrounds and "open spaces" often create more problems than they solve.

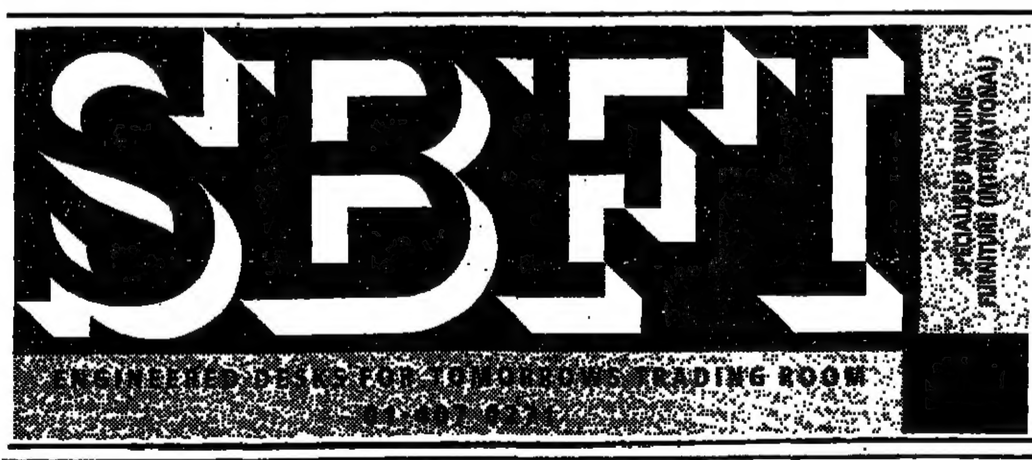
More recently, millions have been allocated and spent on the Government's "Estate Action" campaign, much of it on security and crime prevention devices like entrance phones and resident caretakers. The efficacy of entrance phones is disputed by the Government's own Crime Prevention Unit, while Professor Coleman says that, at least, they make tenants safe prisoners within their flats but offer no security elsewhere.

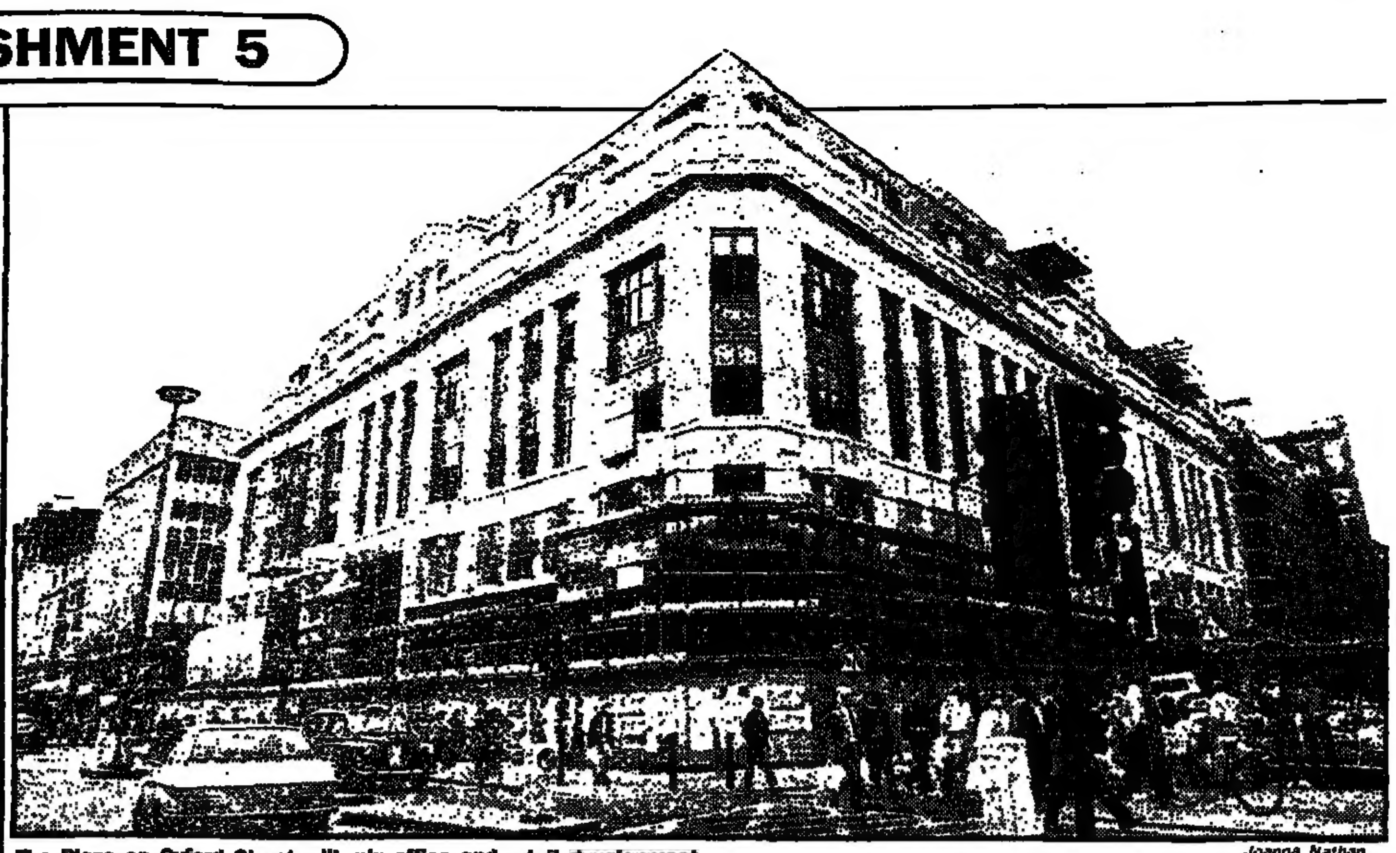
On the other hand, she recommends investing in relatively inexpensive measures like the removal of concrete overhead walkways. Three such walkways were removed from the Mozart Estate in Westminster 18 months ago. According to Professor Coleman, beat policemen on the estate have told her that the crime rate fell by 50 per cent almost immediately—and has remained at its lower level.

Mira Bar-Hillel



Crime is said to have fallen since the removal of walkways on the Mozart Estate





The Plaza on Oxford Street will mix office and retail development

Joanna Nathan

Retail

New clothes for older shops

THERE ARE some 1960s shopping centres which should be torn down and removed, piece by rotting piece. Any observer of the retail property sector will have their favourite candidate for the treatment.

There are others, like the Prudential Assurance phase one at Basingstoke, which fit neatly into a present, past and planned combination of covered shopping (phase two, where PosTel is head leaseholder) and a pedestrianised, attractive area.

Phase one is open, and awkwardly planned in one particular area. Prudential will be putting a roof on it, upgrading the shops and reorganising 100,000 sq ft of "dead space" on the wrong side of a square which pedestrians tend to bypass.

Mr Geoff Nickolls, chairman of the distribution branch of the local chamber of commerce thinks that this will help Basingstoke gain recognition as a true regional centre.

Newcastle upon Tyne already has that recognition, and is meaning to hold on to it despite the impact of Geordie developer John Hall's £200m, 2m sq ft MetroCentre development in the Gateshead enterprise zone south of the river.

Gordon Allanson project-managed the development of Eldon Square in Newcastle's city centre for Capital & Counties to its completion, at an estimated 780,000 sq ft, in 1976. He then took on the management of the shopping centre itself, which has been picked out as the best of its period.

Capco and the local council, co-owners of Eldon Square, have just announced a £4m modernisation programme for the current year based on the refurbishment and alteration of a test area, the Earl's Way mall linking Fenwick's, Newcastle's original department store, with Bainbridge (part of the John Lewis group) and Marks & Spencer.

David Heard joined agents Fuller Peiser as a consultant partner in April. Until recently he was chief estates officer to the former Basildon Development Corporation in Essex, concerned with major improvements to the town centre. He is in favour of "putting a lid" on open shopping precincts.

"For the future, a new dimension must be considered over and above pedestrianisation," he wrote recently. "Complete weather protection in full or in part to the central core shopping is needed to allow many more activities to be introduced both during the day and in the evening, creating opportunities for more recreational, social and catering activities."

Mr Heard approves of the Capco/Newcastle initiatives. "There is a constant need to maintain the success of shopping centres before they deteriorate too far, and to examine how they should be kept viable through reconsideration of trade patterns, *refurbishment* and expansion into additional space," he says. "In this way the balance of retailing can be maintained between in-town and out-of-town locations."

The skill of the refurbisher has much to do with whether these projects produce a tired "paint job" or a renewed shopping attraction. Jobs which have to come into the second category are the "specialist centres," frequently in areas of tourist attraction where large, out-of-date but often attractive buildings get a second lease of life.

Julian Markham is chairman of Glengate Holdings which is redeveloping the former Bourne & Hollingsworth department store in London's West End into "The Plaza on Oxford Street" in partnership with Kumagai Gumi of Japan.

For this location, and this building, Mr Markham has gone back to mixed office and retail development, with 165,000 sq ft of shopping on four levels and 120,000 sq ft of offices above.

Many property professionals have been against mixed development on the grounds that institutions do not like the genre and there are basic problems like access for shoppers as well as office workers.

Mr Markham is funding his share of the development costs in-house. He is comfortable about that. "Rents for the offices have certainly doubled since the inception of the project," he says. "They were £14 to £15 a sq ft on our original appraisal against the £30.50 that Banque Paribas has recently paid in Wigmore Street."

On access, Mr Markham says that the offices are "totally independent", with three entrances and seven lifts. Shoppers will be encouraged around the retailing via a system of escalators, and a scenic lift.

The Plaza is in the eastern—and recently much less attractive—stretch of Oxford Street, though Mr Markham thinks that it is coming back up the market. He notes a number of improvements, like Virgin's expansion of the Quadrangle, HMV taking the old Oxford Walk, the *Academy Cinema sold* to the Burton Trust for conversion to retailing, and something similar happening at Studio 2.

William Cochrane

Derelict sites are being used for leisure

Affluence brings in sport and culture

THE APPARENTLY contradictory factors of higher disposable incomes and economic decline have given the property industry major opportunities for the construction of leisure facilities.

A host of sites for refurbishment have been created by shifts in the economy away from heavy industry, the concentration of ports activity to a few centres, and the subsequent drive to re-use derelict land in ways that create new forms of employment, often in service industries.

At the same time, the growing affluence of that part of the population which has survived *the shifts in the economy* has provided the market to service the new investment. The continuing increase in the number of cars has given an extra mobility, allowing people to take advantage of the developing facilities.

There seems now to be hardly a local authority near water which does not see a *marina*, and the facilities that sprout up around it, as the answer to *attracting visitors and providing* jobs. If industry does not come, then leisure is seen as the answer.

What is involved here is the refurbishment of land. Associated British Ports, for example, has it in abundance. In one of its projects, it has started a £100m joint venture with Shearwater, the Rosehaugh subsidiary, to establish Ocean Village at Southampton. Here the creation *of leisure facilities, often mixed* in with retail, is an integral part of a development which brings in houses and offices, too.

On Merseyside, the Development Corporation failed in its initial refurbishment to bring in light industry, and has switched progressively to the leisure option as the catalyst for the reinvigoration of an area which once teemed with shipping. The leisure development includes a marina, ice rink and multiplex cinema as well as speciality shopping and some residential accommodation.

For five years now, work has been going on, under the guidance of the Scottish Development Agency and the local authorities, to rehabilitate the Dundee waterfront in a scheme based around the Discovery, the *vessel used by Robert Scott in* his first Antarctic expedition.

English Estates, the Government's property development *agency*, has been seeking to revive the Chatham waterfront, and again this involves a huge marina, for 900 boats, as well as housing and commercial development.

Chatham, Dundee and Merseyside have in common the fact that they have been *supported by public funds. Dundee* and Chatham are in enterprise zones, so that private developers can take the benefit of the 100 per cent building allowances and tenants can receive a rates holiday.

Such refurbishment of the land is an integral part of the Government's policy to encourage the regeneration of urban centres, using public money to act as a primer for private sector *investment*.

From the developers' point of view, the provision of leisure is an essential element, not only *for its own sake*, but because it draws the often-associated shopping developments. It is part of the notion that, as in North America, shopping is fun. Even with the case of marinas, which have their own revenue flow, experience has shown that, economically, they cannot be *left in a void. Development* off the shore needs to be backed up with on-shore facilities.

In terms of drawing private *sector funds for the revival of* derelict areas, the London Dockland Development Corporation has been a conspicuous success. But it has been noticeable how keen the Corporation has been to soften the deadening effects of predominantly office and residential development by drawing in cultural ventures.

Thus it supported the £20m venture of the London Docklands Arena Trust to convert old banana sheds into a sporting complex. And, in the interests of developing not just a commer*cial centre but what Mr Reg* Ward, the chief executive, called "a living community," it welcomed the scheme to provide the Academy of St Martins-in-the-Fields with a permanent home.

*The orchestra plans to con*vert an old hydraulic pumping station, built in 1890, into an arts centre which will also provide rehearsal rooms and commercial recording studios, at a cost of £5m.

But further refurbishment possibilities emerge from a different aspect of Government policy. When, in 1985, the Government brought to an end the life of the metropolitan author*ities, it also set in motion a* programme to dispose of their assets. County Hall, the former headquarters of the Greater London Council, on the Thames opposite the Houses of Parliament, is up for sale.

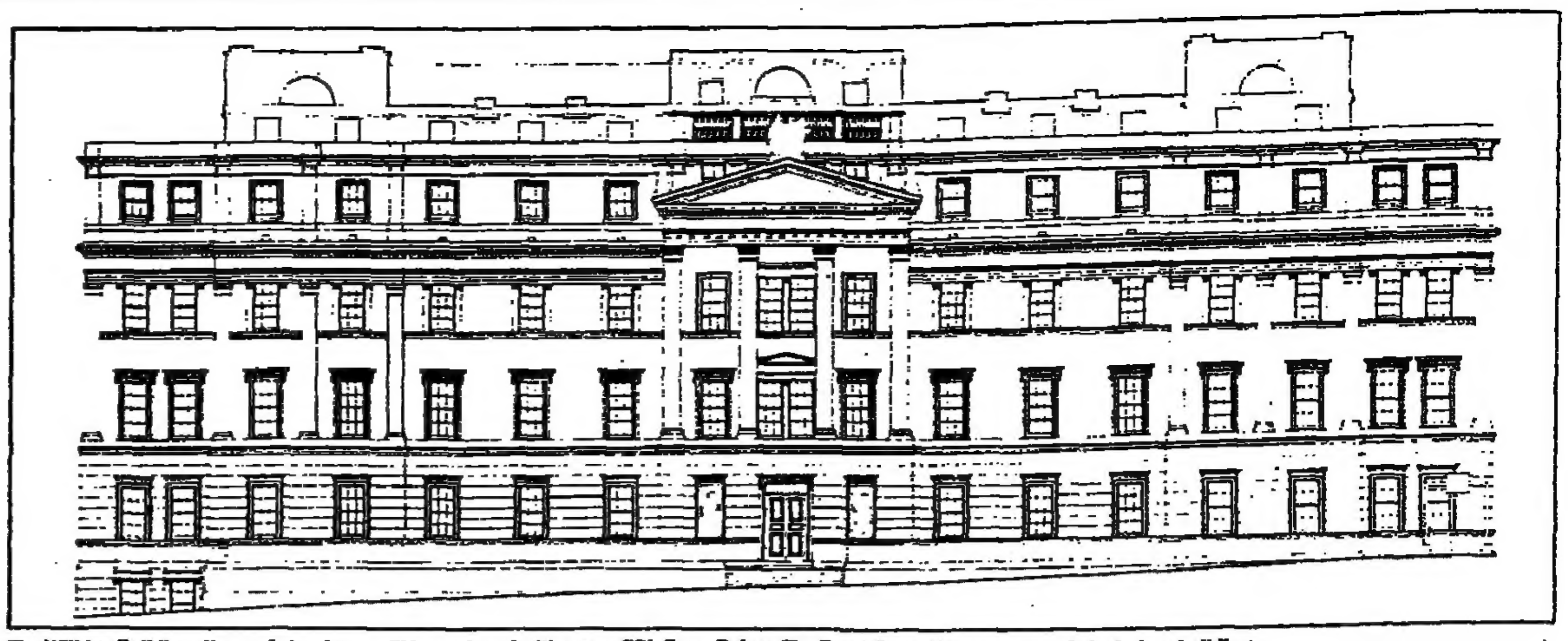
Richard Ellis, the agents charged with making the sale, have reported that there are at least 50 serious enquiries. Significantly, some of these are from hotel groups who see the *possibility of converting the old* offices into a hotel with adjacent shopping and residential facilities.

The whole question of conversion is fraught with planning and political difficulties—it has been the subject of a planning enquiry. But the point is that the level of enquiry indicates the appetite of developers and hotel operators for any prime potential hotel site in London, which is notoriously short of hotel beds.

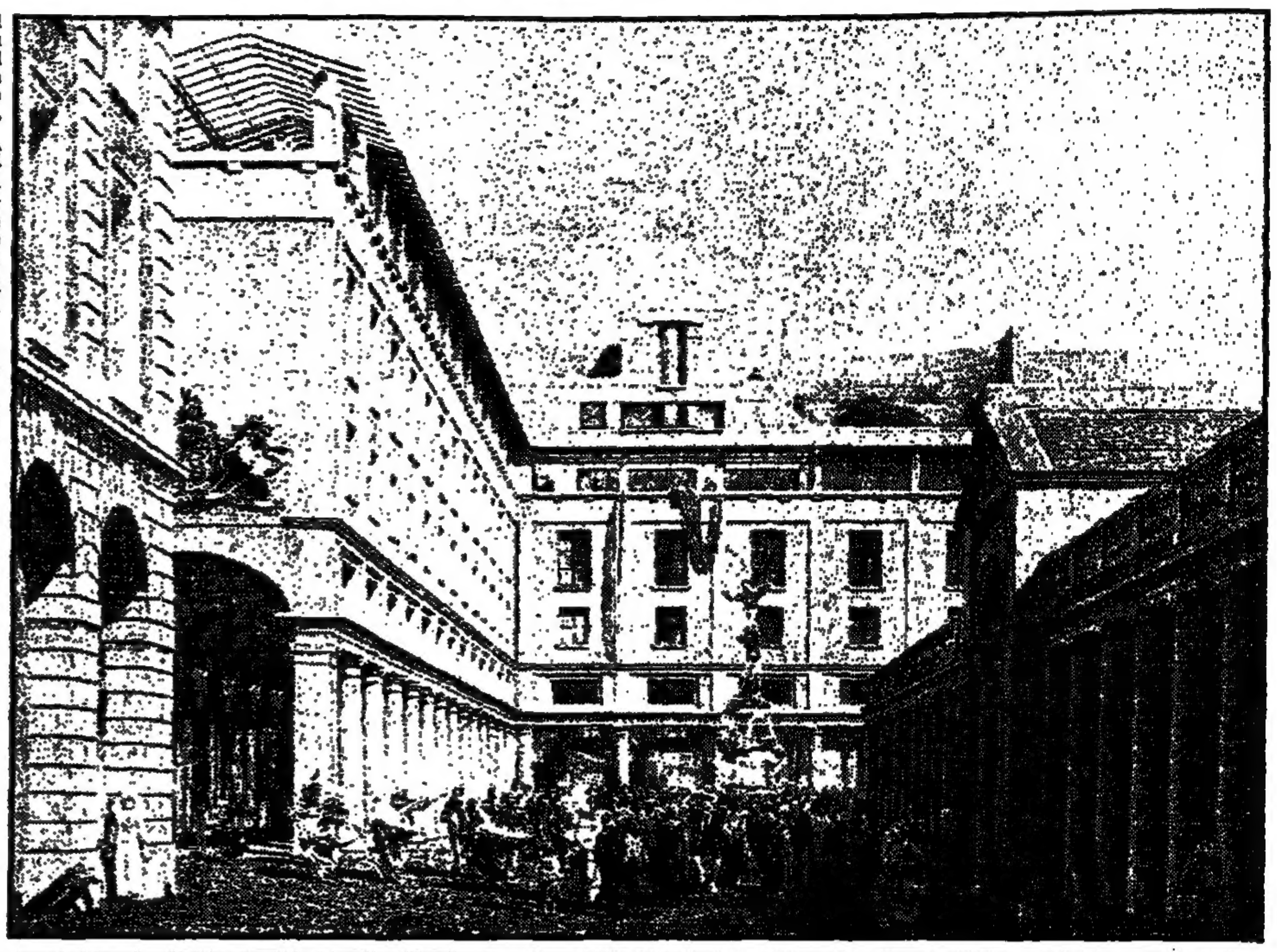
With the market revived after a difficult 1986, when American *tourists were reluctant to come* to Europe because of possible fall-out from Chernobyl and the possibility of terrorist attack, major groups have been looking for refurbishment possibilities.

Imry International has sorted out ownership problems with the Grosvenor Estate and is now poised to create both a hotel and offices out of the buildings of the nineteenth century Wilkins designed St George's Hospital at its prized site on Hyde Park Corner.

This was the latest in a series of moves which have involved *the sale of buildings, originally* built as hotels and then turned into offices, ripe for conversion to their original purpose. These include the sale by British Rail Property Board to Scandinavian travel interests of the old Marylebone railway station hotel and the sale by the BBC to Ladbroke of the Langham Hotel, just north of Oxford Circus.



The Wilkins Building: the roof structures will be replaced with a new fifth floor. Below: The Royal Opera House proposals include rebuilding its derelict north and east sides with arcades. The completed square as seen from King Street.



But the departure of the Crown Agents from their Westminster office headquarters has opened the possibility of their building, just near the *River Thames and close to* Parliament, being converted into an hotel. This is planned, after a tussle with Westminster City Council, by Raleigh Enterprises of Los Angeles.

In Leicester Square, Edwardian Hotels is proposing to spend £12.5m on turning a dental hospital no longer needed by the South West Regional Health Authority into a 100-bed luxury hotel.

Outside London, Creditanstalt, the Austrian bank, and Speyhawk, the property group, are joint venturing to turn Lucknam Park country house near Bath into an hotel and leisure centre with an investment of £3.6m. And the recently-refurbished Royal Crescent Hotel in Bath has just been bought by Norfolk Capital Group for £7.5m.

None of these moves probably makes much sense if they are seen as mere attempts to trap the foreign tourist traffic — that market is too narrow, too erratic. The commercial opportunity offered by refurbishment is rather that of gaining business traffic during the week and tap*ping that higher level of indi*vidual disposable income at the weekend.

Paul Cheeseright